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ABSTRACT

The purposes of this handbook are to help participating foreign schools achieve manageable, student-friendly administration of the U.S. Federal Family Education Loan (FFEL) Program and to ensure that schools are aware of the legal requirements that pertain to foreign schools participating in the FFEL Program. The FFEL is the only U.S. student financial aid program in which foreign schools participate. The program offers loans for both students and parents. Loans from private lenders are guaranteed by guaranty agencies and reinsured by the U.S. government. To participate, a foreign school must be certified as an eligible institution, main administrative capacity and financial responsibility, and meet requirements toward students and lenders. The chapters of the handbook are: (1) Federal Family Education Loan (FFEL) Program Overview; (2) Institutional Eligibility and Participation; (3) Establishing Borrower Eligibility; (4) FFEL Program Procedures; (5) Return of Title IV Funds. (Contains six appendixes, a glossary, a list of acronyms, a summary of regulations, and lists of sources of help and further information). (SLD)

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Student Financial Aid Handbook for Foreign Schools 2001-2002

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January 2002

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UNITED STATES DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202-5132

CHIEF OPERATING OFFICER

January 2002

Dear School Administrator:

Today's global economy offers unprecedented opportunities to those graduates of our schools and colleges who are prepared to meet its challenges. To succeed, students increasingly need to complement their academic and career learning with the international skills that allow them to understand and work with people from other countries.

By participating in the United States' Federal Family Education Loan (FFEL) Program, you are providing U.S. students the opportunity to develop a broader understanding of the world, proficiency in other languages and knowledge of other cultures. These are the skills needed by all to meet the challenges of an increasingly interdependent world.

We hope that the *Student Financial Aid Handbook for Foreign Schools* will assist you in administering U.S. financial aid at your institution. Questions about the Handbook should be addressed to the Foreign School Case Management Team in Washington, D.C. at (202) 377-3168. Thank you for your participation in the U.S. FFEL Program.

Sincerely,

Greg Woods

We help put America through school.

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Purpose

The primary purpose of the *Student Financial Aid Handbook for Foreign Schools* is to help participating foreign schools achieve manageable, student-friendly administration of the United States' (U.S.) Federal Family Education Loan (FFEL) Program. In addition, use of this handbook will help ensure that schools are aware of the legal requirements that pertain to foreign schools participating in the FFEL Program.

Federal Family Education Loan Program

The Federal Family Education Loan Program is the only U.S. student financial aid program in which foreign schools participate. The program offers loans to both students and parents. Private U.S. lenders provide the loan funds for borrowers. The loans are guaranteed by guaranty agencies and reinsured by the U.S. government. If the borrower defaults on the loan, the lender is reimbursed by the guarantor, who in turn is reimbursed by the U.S. government.

What Are the Advantages for a Foreign School to Participate in the FFEL Program?

By participating in the FFEL Program, a foreign school helps U.S. students who need financial assistance to attend the eligible foreign institution of their choice. A foreign school may choose to participate in the FFEL Program for deferment purposes only (to defer repayment of student loans previously obtained for attendance at other schools), or a school may participate more actively by certifying new loan applications for its U.S. students.

FFEL Program participation allows for greater diversity of the student population at foreign schools, as most U.S. students are unable to attend a foreign school without financial assistance. U.S. students who choose to study at a foreign school that participates in the FFEL Program will have increased access to postsecondary education. It also provides an opportunity for greater understanding among countries and cultures.

To participate in the FFEL Program, a foreign school must:

- be certified by the U.S. Department of Education as an eligible institution (see Chapter 2);
- maintain administrative capability and financial responsibility standards as well as other requirements that enable the school to remain eligible to participate (see Chapter 2);
- establish and certify a borrower's eligibility for an FFEL Program loan (see Chapter 3);

- coordinate loan guarantee activities with the guaranty agency (see Chapters 1 and 4);
- disburse loan proceeds, unless the funds were sent directly to the student (see Chapter 2);
- provide adequate financial aid counseling to its borrowers (see Chapter 2);
- verify a borrower's financial aid history (see Chapters 2 and 3);
- monitor the borrower's satisfactory academic progress (see Chapters 2 and 3);
- perform a return of Title IV funds calculation when a student withdraws (see Chapter 5);
- have both a compliance audit and a financial statements audit performed annually (see Chapter 2); *and*
- maintain loan records (see Chapter 2).

This handbook describes these requirements and processes.

Using This Handbook at Your School

Please be aware that the *Student Financial Aid Handbook for Foreign Schools* is a guide and does not replace U.S. laws and regulations. If there is conflict or ambiguity, the laws and regulations are controlling. This handbook is based on laws, regulations, and procedures enacted or published as of December 2000. Schools should keep abreast of any changes.

Margin References

The *Student Financial Aid Handbook for Foreign Schools* uses six icons in the margin notes to direct readers to other resources for the material being discussed in the text.

The **Computer** icon is used for electronic references, directing readers to Web sites of particular interest.

The **Book** icon is for published references and directs readers to specific regulations and other resources of particular interest.

The **Gavel** icon is used to direct readers to U.S. laws and regulations that support material contained in the text.

The **New** icon is for newly available Web sites and published resources, as well as new program guidelines.

The **Take a Look** icon refers readers to other sections in the *Student Financial Aid Handbook for Foreign Schools.*

The **Telephone** icon directs readers to specific telephone numbers to call for additional information.

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Chapter

1

Federal Family Education Loan (FFEL) Program Overview

Part B of Title IV of the Higher Education Act of 1965, as amended, created the guaranteed student loan programs. This law has been reauthorized and amended periodically. In 1992, the loan programs were renamed the Federal Family Education Loan (FFEL) Program. This program consists of Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans. The FFEL Program is one of several programs often referred to as the "Title IV" programs.

Laws & Regulations

- HEA of 1965

Entities Involved in Administering the FFEL Program

The entities involved in administering the FFEL Program include the U.S. government, schools, lenders, guaranty agencies, secondary markets, servicers, and credit bureaus. Each entity has a specific role in providing or servicing FFEL Program loans.

Take a Look

- See page 2-64 to learn more about Case Management Teams.

- The **U.S. government**, through the U.S. Department of Education (ED), implements, regulates, and oversees the FFEL Program. ED's Case Management Team approves foreign schools to participate in the FFEL Program.

- A **school** determines and certifies student eligibility for FFEL loans, provides loan counseling for student loan borrowers, may deliver loan proceeds to students, reports enrollment and other information about FFEL Program borrowers, and complies with U.S. laws and regulations governing the FFEL Program. The school acts as a fiduciary in these matters and is accountable for its administration of the program.

- A **lender** provides the funds for FFEL Program loans. A lender can be, for example, a bank, a savings and loan association, a credit union, a school, or an insurance company. The lenders own the loans and receive borrower payments. Lenders frequently sell their loans to other parties. When this occurs, the borrower is notified by the lender and the new loan holder.

- A **guaranty agency** or guarantor provides backing to a lender for the loan funds. The guaranty on these loans replaces the security(collateral) usually required for long-term consumer loans.

A guarantor is a state or private nonprofit agency approved by ED to guarantee FFEL Program loans.

All FFEL guaranty agency procedures and policies must be in compliance with the legal requirements outlined in 34 CFR 682. However, individual guaranty agencies may have additional policies and procedures. Questions regarding these policies and procedures should be directed to that agency. (See Appendix D – Guaranty Agency Directory.)

Take a Look

- See Appendix D – Guaranty Agency Directory.

- A **secondary market** is an organization that purchases loans from lenders. By purchasing loans, it replenishes a lender's funds, which enables the lender to make additional loans to students and parents.

- **Servicers** are companies hired by lenders and secondary markets to manage student loans. This may include processing loan applications, answering customer phone calls, processing loan payments, and collecting delinquent accounts.

- **Credit bureaus** gather and store information on an individual's credit history. Lenders obtain a credit report from a credit bureau when processing FFEL Program loans for parent borrowers. In addition, a lender reports to credit bureaus how much an individual borrowed and whether or not payments are made on time.

It should be noted that a single entity might play more than one role in the student loan process. For example, a lender may also be a servicer, or a guaranty agency may certify a loan application on behalf of a school.

In addition to these entities, a foreign school may contract with a third-party servicer to administer all or part of its FFEL Program. More information about third-party servicers can be found in Appendix E.

A school that uses a third-party servicer is jointly and severally liable for the actions of the third-party servicer with which it contracts.

Take a Look

- See Appendix E for more information on contracts with third-party servicers.

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FFEL Program Loans

The following types of loans are available through the FFEL Program:

- **Subsidized Stafford Loans** are awarded to students who demonstrate financial need. The U.S. government subsidizes the interest, and borrowers are not charged interest while they are enrolled in school at least half time, during a grace period, or during deferment periods. These loans may be awarded to both undergraduate and graduate students.

- **Unsubsidized Stafford Loans** are awarded to students regardless of financial need. However, the borrowers are responsible for the interest that accrues during all periods. During periods when the borrower is enrolled in school at least half time and during grace periods and deferment periods, the borrower has the option of paying the interest or having the interest capitalized. These loans may be awarded to both undergraduate and graduate students.

- **Federal PLUS Loans** enable parents to borrow on behalf of their dependent undergraduate children. The child must be enrolled in an eligible program at least half time. Borrowers are responsible for the interest that accrues on Federal PLUS Loans during all periods. Only parents of dependent students can receive Federal PLUS Loans.

- **Federal Consolidation Loans** enable borrowers to combine one or more of their U.S. education loans into one new loan. ED allows borrowers to consolidate loans in order to facilitate repayment. The loans that are eligible to be consolidated must meet the conditions specified in the regulations.

Laws & Regulations

- 34 CFR 682.100

Annual and Aggregate Loan Limits

Note: A loan corresponding to an enrollment period of less than one academic year must be prorated.

The FFEL Program loans have annual and aggregate loan limits. The undergraduate loan limits are based on a borrower's grade level and dependency status.

The annual loan limit for subsidized and unsubsidized loans must be prorated when a borrower is enrolled in a program that is one academic year or more in length but is in a remaining period of study that is shorter than a full academic year.

Annual Loan Limits for Dependent Undergraduate Students

- A dependent undergraduate student who has not yet successfully completed the first year of an undergraduate program may borrow an annual total of up to $2,625 in subsidized and unsubsidized Stafford Loans combined per academic year of study.

- A dependent undergraduate student who has successfully completed the first year of study but has not successfully completed the second year of the program may borrow up to $3,500 in subsidized and unsubsidized Stafford Loans combined per academic year of study.

- A dependent undergraduate student who has successfully completed the first and second years of study but has not successfully completed the remainder of the program may borrow up to $5,500 in subsidized and unsubsidized Stafford Loans combined per academic year of study.

- A dependent undergraduate student who has an associate or baccalaureate degree that is required for admission into a program of at least one academic year may borrow up to $5,500 in subsidized and unsubsidized Stafford Loans combined per academic year of study.

These loan limits represent the total of all subsidized and unsubsidized Stafford Loans that a dependent undergraduate student may borrow at each level of study. A dependent undergraduate student who borrows both subsidized and unsubsidized Stafford Loans in the same period of enrollment must not exceed the annual loan limits described above.

Annual Loan Limits for Independent Undergraduate Students

Annual loan limits are higher for independent undergraduate students and for dependent undergraduate students whose parents are unable to borrow Federal PLUS Loans due to exceptional circumstances. The following unsubsidized Stafford Loan limits may be added to the borrower's subsidized Stafford Loan limits.

- Independent undergraduate students (or dependent undergraduate students as described above) who have not yet successfully completed the second year of an undergraduate program may borrow up to an additional $4,000 in unsubsidized Stafford Loan funds per academic year of study.

- Independent undergraduate students (or dependent undergraduate students as described above) who have successfully completed the first and second years but who have not successfully completed the remainder of the program may borrow up to an additional $5,000 in unsubsidized Stafford Loan funds per academic year of study.

- Independent undergraduate students (or dependent undergraduate students as described above) who have an associate or baccalaureate degree that is required for admission into a program may borrow up to an additional $5,000 in unsubsidized Stafford Loan funds per academic year of study.

Annual Loan Limit for Graduate and Professional Students

Graduate or professional students may borrow up to **$18,500** per academic year. Up to $8,500 of this amount may be a subsidized Stafford Loan.

Prorated Annual Loan Limits – Subsidized and Unsubsidized Loans

Normally, a dependent or independent undergraduate student may borrow up to the annual limit applicable to the student's year in school. However, the maximum amount an undergraduate student may borrow must be reduced or prorated if a student's final period of study (in a program longer than one academic year) is shorter than one academic year or if the entire period of study is shorter than one academic year.

Federal PLUS Loans and loans for graduate and professional students are not subject to proration.

Federal PLUS Loan Annual Limit

A Federal PLUS Loan may not exceed the student's cost of attendance minus other financial aid awarded during the period of enrollment. This is the only borrowing limit for Federal PLUS Loans. Federal PLUS Loans cannot be used for graduate studies.

Effect of Dependency Status and Year in School

The annual loan limits take into consideration a student's dependency status and year in school. Chapter 4 of this handbook explains dependency status. A school determines a student's grade level.

Take a Look

- See Chapter 4 for more information on dependency status.

FFEL Program Annual Limits for Subsidized and Unsubsidized Loans		
	Subsidized	**Total (Subsidized & Unsubsidized)**
Dependent Undergraduates		
First Year	$2,625	$2,625
Second Year	$3,500	$3,500
Third Year and Beyond	$5,500	$5,500
Independent Undergraduates & Others Without Access to PLUS		
First Year	$2,625	$ 6,625
Second Year	$3,500	$ 7,500
Third Year and Beyond	$5,500	$10,500
Graduate & Professional Students		
All Years of Study	$8,500	$18,500

Note: All undergraduate annual loan amounts are subject to proration.

FFEL Program Aggregate Outstanding Loan Limits for Subsidized and Unsubsidized Loans		
	Subsidized	**Total (Subsidized & Unsubsidized)**
Dependent Undergraduates	$23,000	$ 23,000
Independent Undergraduates & Others Without Access to PLUS	$23,000	$ 46,000
Graduate & Professional Students (includes prior loans for undergraduate study)	$65,500	$138,500

Note: These maximum limits include any amounts borrowed under the FFEL Program and the William D. Ford Direct Loan Program. Any Supplemental Loans for Students that a borrower has outstanding will count as unsubsidized loans against the borrower's aggregate loan limit.

Aggregate Loan Limits

The maximum outstanding subsidized and unsubsidized Stafford Loan debt allowed is:

- $23,000 for a dependent undergraduate student;
- $46,000 for an independent undergraduate student; *and*
- $138,500 for a graduate or professional student (including loans for undergraduate study).

There is no aggregate loan limit for Federal PLUS Loans.

Determining a Borrower's Aggregate Loan Amount

A borrower who has reached his or her aggregate limit cannot receive any additional loans until some of the amount owed is repaid. Once an amount is repaid, the borrower may apply for additional subsidized or unsubsidized loans up to the amount repaid.

- Interest capitalized on subsidized or unsubsidized Stafford Loans is not counted in determining whether a borrower has exceeded the aggregate loan amount.
- If a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program, the loans that the student received for the graduate program are not included in determining the student's remaining loan eligibility for the second undergraduate program.
- Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the allowable aggregate loan limits for a graduate or professional student.

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Borrower Costs for FFEL Program Loans

According to FFEL Program regulations, a lender may charge a borrower under this program for interest, loan fees, and other charges.

Interest

The interest rate on FFEL Program loans can change for each year of repayment. Under current law, the interest rate on Stafford Loans will not exceed 8.25 percent, and the interest rate on PLUS Loans will not exceed 9 percent. The interest rate is adjusted each year on July 1. Loans made before October 1, 1998, have a different interest rate calculation, and the interest rates may be different. The interest rate for these loans may be verified through the borrower's loan holder.

No interest is charged on subsidized loans while a student is enrolled in school at least half time, during a grace period, or during authorized periods of deferment. Interest begins to accrue (accumulate) when the loan enters repayment.

Interest on unsubsidized loans begins to accrue from the day the loan is disbursed until it is repaid in full, including in-school, grace, and deferment periods. A borrower may pay the interest during these periods, or the interest can be capitalized.

Capitalized Interest

A lender may add accrued (accumulated) interest to the borrower's unpaid principal balance. This increase in the principal balance of the loan is called capitalization. The borrower has the option of paying the interest or having it capitalized.

Loan Fees

A lender may charge borrowers a fee of up to 4 percent of the principal amount of Stafford and PLUS Loans. The fee is deducted proportionately from each disbursement of a loan. A portion of this fee goes to the U.S. government and a portion goes to the guaranty agency to help reduce the cost of the loans.

Other Charges

If authorized by the promissory note, a lender may charge a borrower late fees if the borrower fails to pay all or a portion of an installment due. Collection charges incurred by the lender in collecting installments not paid when due may also be charged to the borrower.

Take a Look

- See Appendix F for a copy of the Borrower's Rights and Responsibilities statement.

Laws & Regulations

- 34 CFR 682.209

Repayment Process

During the repayment period the borrower is responsible for payment of both the principal and the accrued interest. The following information appears on the Borrower's Rights and Responsibilities statement. See Appendix F for a copy of this statement.

Grace Period

A student has six months after graduating, leaving school, or dropping below half-time enrollment before he or she begins repayment of the principal on a Stafford Loan. This is the student's grace period. The grace period immediately follows a period of enrollment and immediately precedes the date that repayment will begin for the first time.

If a student ceases to be enrolled at least half time but then returns to school at least half time before the six-month period is up, the student is considered to be in an in-school period. The initial grace period is restored and will not start again until the student is no longer enrolled at least half time. A student may enter into a grace period more than once. However, once the grace period has been completed, the student enters repayment on the principal amount of the loan. Grace periods are day-specific; that is, the initial grace period begins on the day immediately following the day the borrower is no longer attending school at least half time and ends on the day that repayment of the principal is scheduled to begin.

Federal PLUS Loans do not have a grace period.

Deferments

A deferment is a period during which payments of the principal on an FFEL Program loan are postponed and during which, for subsidized Stafford Loans, interest subsidy payments are made by the U.S. government. Once a borrower enters repayment, the borrower is entitled to a deferment if he or she meets the requirements that have been set for one. The borrower must request a deferment either verbally or on a form provided by the lender or ED. The borrower must also provide documentation to support his or her request for a deferment.

A borrower who requests a deferment should continue making payments on a loan until he or she receives notification that the deferment has been approved. The deferment period begins on the date the qualifying condition begins. A lender may retroactively grant a deferment. The borrower should contact his or her lender to discuss when this may apply.

Eligible deferments are listed in the statement of the Borrower's Rights and Responsibilities. See the Borrower's Rights and Responsibilities statement in Appendix F.

Reference

- 2001-2002 *Student Financial Aid Handbook, Volume 8: Direct Loans and FFEL Program Loans*

Take a Look

- See Appendix F for a copy of the Borrower's Rights and Responsibilities statement.

Laws & Regulations

- 34 CFR 682.205
- 34 CFR 682.209

Forbearance

A borrower who is willing but financially unable to make payments on his or her FFEL Program loan may request a forbearance. Forbearance is the temporary cessation of payments, allowing an extension of time to make payments, or temporarily accepting smaller payments than originally scheduled.

When a forbearance is granted, the borrower is responsible for the payment of interest that accrues during this period. A lender may grant a forbearance when a borrower is experiencing financial hardship and/or illness.

Another kind of forbearance is known as "mandatory forbearance." A mandatory forbearance must be granted for both principal and interest (if requested) in certain circumstances. These circumstances are described in the statement of the Borrower's Rights and Responsibilities.

Interest During Deferment and Forbearance

In general, interest continues to accrue on loans during deferment periods. Interest also accrues on loans during a period of forbearance. The borrower is responsible for repaying this interest during the deferment (unless eligible for an interest subsidy) or forbearance unless the interest is capitalized (added back to the principal amount of the loan). A lender may agree to capitalize the interest when repayment of the loan principal resumes.

Repayment Plans

Borrowers may choose between a standard, graduated, or income-sensitive repayment plan.

Standard Repayment Plan

The standard repayment plan requires a borrower to pay a fixed amount each month of at least $50 or the unpaid balance including interest, whichever is less.

Graduated Repayment Plan

Under a graduated repayment plan, a borrower's payments generally will be lower at first and then increase over time. Each payment must at least equal the interest accrued on the loan between scheduled payments.

Income-Sensitive Repayment Plan

The amount of a borrower's payment under this plan is based on the borrower's expected monthly gross income. As a borrower's income rises or falls, so do the payments. Each payment must at least equal the interest accrued on the loan between scheduled payments.

A new borrower after October 7, 1998, who has loans totaling more than $30,000 may choose an extended repayment plan, with a fixed or graduated amount to be paid over an extended period of time up to 25 years.

Federal PLUS Loan Repayment

The Federal PLUS Loan repayment period begins immediately after the loan has been fully disbursed. The first payment on a Federal PLUS Loan is due within 60 days of the loan's full disbursement, unless a deferment condition applies. There is no prepayment penalty for Federal PLUS Loans. Payment plans for a Federal PLUS Loan include standard, graduated, and income-sensitive.

Delinquency and Default

A student should maintain contact with the lender or servicer of his or her loan and keep his or her information on file up-to-date. When a scheduled payment on an FFEL Program loan is not made on time according to the payment schedule, the loan becomes delinquent. If a borrower is late making a payment, the lender may require the borrower to pay a late charge.

For loans that enter delinquency after October 7, 1998, default occurs when a loan becomes 270 days delinquent for a loan payable in monthly installments and 330 days for a loan payable in less frequent installments. In general, loans that entered delinquency earlier than October 7, 1998, go into default when a loan payable in monthly installments becomes 180 days delinquent and when a loan payable in less frequent installments becomes 240 days delinquent.

Once a borrower defaults on an FFEL Program loan, he or she is ineligible for further U.S. student financial aid funds. The student is also ineligible for a deferment on the defaulted loan. The guaranty agency notifies a credit bureau of the borrower's default, and the default notification appears on the borrower's credit file.

If a borrower's loan is discharged under closed school or false certification provisions, the loan is no longer considered to be in default, and the borrower is eligible for further U.S. aid.

Cohort Default Rate

A cohort default rate is the percentage of a school's student borrowers who enter repayment on FFEL Program loans during a particular fiscal year and default or meet other specified conditions before the end of the next fiscal year. Federal PLUS Loans and Consolidation Loans are not included in a school's cohort default rate.

A school can be subject to sanctions from ED as a result of high cohort default rates. A school may lose eligibility to participate in the FFEL Program. The consequences of default and a school's cohort default rate are discussed further in Chapter 2.

Take a Look

- See Chapter 2 for information about a school's cohort default rate.

Loan Discharge and Cancellation

Laws & Regulations

- 34 CFR 682.402
- 34 CFR 682.215

An FFEL loan may be discharged or canceled under some circumstances. The repayment of an FFEL loan is canceled if a borrower dies or becomes totally and permanently disabled, teaches in a designated school, or has the debt discharged in bankruptcy.

Prior to the Higher Education Amendments of 1998, an FFEL Program loan was not dischargeable in bankruptcy unless:

- the loan had been in repayment for at least seven years (excluding periods of deferment or forbearance) *or*
- the bankruptcy court determined that repayment of the loan would cause an undue hardship to the debtor.

For borrowers who file bankruptcy after October 7, 1998, an FFEL Program loan:

- is no longer dischargeable in bankruptcy no matter how long it has been in repayment *and*
- is not dischargeable unless the bankruptcy court has determined that repayment of the loan would cause an undue hardship to the debtor.

The borrower's obligation to repay all or a portion of a loan may be canceled if the student is unable to complete his or her program of study because the school closed, if the school falsely certified or originated the loan, or if the school failed to pay a refund due under ED rules.

Chapter

2

Institutional Eligibility and Participation

Foreign institutions of higher education, including foreign medical and dental schools, are eligible to participate in the Federal Family Educational Loan (FFEL) Program if they meet the general requirements set forth in the regulations governing the U.S. student financial aid programs and the specific requirements for the FFEL Program.

A foreign school can participate in the FFEL Program if it is comparable to an institution of higher education and has been approved by the U.S. Department of Education (ED). Under ED's rules, a foreign school that wants to participate in the FFEL Program must submit documentation to ED to show that it qualifies to participate in the program. The school must apply electronically using the format prescribed by ED and must provide all information and documentation requested. (This process is described later in this chapter.)

Eligibility Factors

Laws & Regulations

- 34 CFR 600.4

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

An eligible foreign institution is one that qualifies as an "institution of higher education" or, for medical and veterinary schools, is a proprietary institution of higher education.

An institution of higher education must be public or private nonprofit. A proprietary institution of higher education is always a private, for-profit institution.

A public school or institution is government supported. Private schools or institutions are owned by private corporations and/or individuals. A nonprofit school is owned and operated by one or more nonprofit corporations or associations, and no part of its net earnings benefits a private shareholder or individual.

Laws & Regulations

- 34 CFR 600.54

ED considers a foreign school to be comparable to an eligible institution of higher education in the United States if it is a public or private nonprofit educational institution that:

- admits as regular students persons who have a secondary school completion credential or its recognized equivalent;
- is legally authorized by an appropriate authority to provide an educational program beyond secondary education in the country where the institution is physically located; *and*

- provides an eligible educational program for which the school is legally authorized to award a degree equivalent to an associate, baccalaureate, graduate, or professional degree awarded in the United States; or that is at least a two-academic-year program acceptable for full credit toward the equivalent of a baccalaureate degree awarded in the United States; or is equivalent to a one-academic-year training program in the United States that leads to a certificate, degree, or other recognized educational credential that prepares a student for gainful employment in a recognized occupation.

Additional Criteria for Medical Schools

Laws & Regulations

- 34 CFR 600.55

A foreign graduate medical school must meet all of the above requirements, except it can be for-profit (proprietary). However, it must also:

- provide, and normally require its students to complete, a faculty-supervised program of clinical and classroom medical instruction of not less than 32 months in length in a facility that is either:
  - outside the United States adequately equipped to afford students comprehensive clinical and classroom medical instruction *or*
  - in the United States through a training program for foreign medical students that has been approved by all medical licensing boards and evaluating entities viewed as relevant by ED;
- have graduated classes for each of the two 12-month periods immediately before ED receives the school's request for an eligibility determination;
- employ only faculty members whose academic credentials are equivalent to credentials required of faculty members teaching similar courses in medical schools in the United States;
- be approved by an accrediting body that is legally authorized to evaluate the quality of medical school educational programs and facilities in that country and whose standards of accreditation have been determined comparable to U.S. standards by the National Committee on Foreign Medical Education and Accreditation (NCFMEA);
- have a student body where at least 60 percent of the full-time regular students and at least 60 percent of the school's most recent graduating class did not meet the citizenship requirements for FFEL Program eligibility; *and*

- have a student body where at least 60 percent of the school's graduates who took any step of the examinations administered by the Educational Commission for Foreign Medical Graduates in the previous year passed the exam (for this purpose, the school must include as graduates each person who graduated during the three years preceding the year for which the calculation is performed).

Foreign graduate medical schools must provide ED with the requested documentation annually to remain eligible.

A medical school not meeting all of the 60 percent requirements can still be eligible if it has a clinical training program that was approved by a state as of January 1, 1992, and remains approved by that state.

Additional Requirements for Veterinary Schools

Laws & Regulations

- 34 CFR 600.56

In addition to meeting the criteria for all foreign institutions of higher education, a foreign veterinary school must also:

- provide, and require its students to complete, a program of clinical and classroom veterinary instruction supervised by the school's faculty in a facility that is either:
  - outside the United States that is equipped to afford the students comprehensive clinical and classroom veterinary instruction *or*
  - in the United States through a training program that has been approved by veterinary licensing boards and evaluating entities recognized by ED;
- have graduated classes for each of the two 12-month periods immediately before ED receives the school's request for eligibility determination;
- employ only faculty members who have academic credentials that are equivalent to credentials required of faculty members teaching the same or similar courses in veterinary schools in the United States; *and*
- have a clinical training program that was approved by a state as of January 1, 1992, and remains currently approved, or have its students complete clinical training at an approved veterinary school located in the United States.

The eligibility of a foreign school expires up to six years after the date ED has approved the school to be eligible unless ED specifies a shorter period.

A foreign school loses eligibility on the date the school fails to satisfy the above criteria. In this case, a student who is eligible to receive FFEL

Program loans and has been continuously enrolled in the school before the school's loss of eligibility can still receive loans for attendance at that school for the academic year immediately following the academic year the school lost eligibility, if the student received a loan for attendance when the school was still eligible.

Accreditation for Medical Schools

Reference

- HEA 1992

ED is not an accrediting entity. However, the U.S. Secretary of Education does appoint members to the NCFMEA. The NCFMEA was established under the Higher Education Amendments of 1992. The law gives the Committee the responsibility for reviewing the standards foreign countries use to accredit medical schools. The Committee determines whether those standards are comparable to the standards used to accredit medical schools in the United States. The decisions made by the Committee affect whether U.S. students attending foreign medical schools can receive loans under the FFEL Program.

Web Site

- www.ed.gov/offices/OPE/accreditation/ncfmission.html

The NCFMEA does not review or accredit foreign medical schools. It only reviews the standards that a foreign country uses to accredit its medical schools. If the NCFMEA determines that a foreign country's standards are comparable, then any medical school accredited in that country meets the accreditation requirement for eligibility to participate in the FFEL Program. For more information on the NCFMEA, refer to its Web site at www.ed.gov/offices/OPE/accreditation/ncfmission.html.

If a foreign medical school loses its accreditation, the school is no longer eligible to participate in the FFEL Program. Previously enrolled FFEL borrowers who have maintained continuous enrollment remain eligible for FFEL loans for that academic year and one additional academic year.

Admission Standards

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

U.S. students admitted to an eligible foreign school must have a high school diploma (credential of secondary school completion) or its recognized equivalent. Recognized equivalents of a high school diploma include a General Educational Development (GED) certificate or a state certificate received after the student has passed a state authorized test that is considered equivalent to a high school diploma.

ED recognizes that there are special cases. If a student has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree, the student's postsecondary school academic transcript is considered equivalent to a high school diploma. A student seeking enrollment in a program that is at least at the associate-degree level and who has excelled academically in high school and met formalized written admissions policies of the school is also considered to have the equivalent of a high school diploma.

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The school may rely in good faith on the student's certification that he or she has received the required high school diploma or GED. A copy of this certification must be kept on file. It may be a part of the school's admissions application or a separate document. The school may require the student to provide supporting documentation.

The 90/10 Rule

A proprietary institution may derive no more than 90 percent of its revenues from Title IV programs to be eligible for Title IV participation. A school must determine its revenue percentages using the following formula for its latest complete fiscal year:

$$\frac{\textit{Title IV program funds used for tuition, fees, and other institutional charges to students}}{\textit{sum of revenues generated by the school from tuition, fees, and other institutional charges in eligible training programs, plus revenues generated from school activities necessary for the education or training of students enrolled in those eligible programs}}$$

In determining whether a school satisfies the 90/10 Rule, the totals used in the fraction do not include refunds paid to or on behalf of students who have withdrawn, dropped out, been expelled, or otherwise failed to complete the period of enrollment.

A proprietary school becomes an ineligible institution if the school violates the 90/10 Rule. The institution has 90 days after its most recent fiscal year has ended to report to the U.S. Secretary of Education if it did not satisfy the 90/10 Rule for that period. A school that fails to satisfy the 90/10 Rule loses its eligibility as of the last day of that fiscal year.

A school changing from for-profit to nonprofit status must continue to file this report for the first year of its nonprofit status.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Program Requirements

A school must offer at least one eligible program to qualify as an eligible institution. To receive FFEL Program funds, a student must be enrolled in an eligible program of study or in a course of study of no longer than one year that is required for enrollment in the eligible program.

The school is responsible for determining whether a program is eligible before certifying FFEL Program loans for the students enrolled in it. The school's eligibility extends to all eligible programs identified on the application for participation.

An eligible program is an educational program that is provided by a participating school and satisfies requirements set by U.S. laws and

regulations. An eligible program provided by an institution of higher education must be:

- one for which the school is legally authorized to award a degree that is equivalent to an associate's, bachelor's, professional, or graduate degree awarded in the United States;
- at least a two-academic-year program that is acceptable for full credit toward the equivalent of a bachelor's degree awarded in the United States; *or*
- the equivalent of at least a one-academic-year training program in the United States that leads to a certificate, degree, or other recognized educational credential and prepares a student for gainful employment in a recognized occupation.

A recognized occupation is one that is listed in the "occupational division" of the *Dictionary of Occupational Titles* or one that is considered by ED, in consultation with the U.S. Department of Labor, to be a recognized occupation.

Reference

- *Dictionary of Occupational Titles*

A school is not eligible for FFEL Program participation if, during the school's latest award year, more than 50 percent of its courses are taught through correspondence, including telecommunications courses, or if 50 percent or more of its regular students are enrolled in correspondence/telecommunications courses. The latter restriction is waived for a school that offers a two-year associate or four-year baccalaureate degree program if the school demonstrates that the correspondence students receive no more than 5 percent of the school's total FFEL funding. An independent accountant must attest to correspondence calculations.

Criminal Activity and Bankruptcy

A school is not eligible to participate in the FFEL Program if the school, its owner, or its chief executive officer (CEO):

- has pled guilty to, has pled nolo contendere to, or was found guilty of a crime involving the acquisition, use, or expenditure of Title IV program funds *or*
- has been judicially determined to have committed fraud involving Title IV program funds.

A school is also ineligible if it or an affiliate it controls has filed for or has had an order filed against it for relief in bankruptcy.

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Withdrawal Rates

Schools that are requesting to participate in the FFEL Program for the first time must have an undergraduate withdrawal rate for regular students of no

more than 33 percent for an award year. Regular students are students enrolled in a program that leads to a recognized credential. When calculating the withdrawal rate, all regular, enrolled students are included. The definition of enrolled does not require either payment of tuition or class attendance; therefore, the withdrawal rate must include enrolled students who have not yet paid tuition and those who have not actually begun attending classes.

A student is considered withdrawn if he or she officially withdraws, unofficially drops out, is expelled from the school, or receives a refund of 100 percent of his or her tuition and fees (less any permitted administrative fee). A student who withdraws from one or more courses of a program but does not withdraw entirely from the school does not meet the definition of withdrawn. The 33 percent withdrawal rate applies to all regular, enrolled students, not just to FFEL recipients.

Applying to Participate in the FFEL Program

A foreign school that wants to participate in the FFEL Program must first apply electronically to ED for certification. ED determines whether the school meets the required standards set by the regulations governing the Title IV programs. A school must apply to ED by completing the *Application for Approval to Participate in Federal Student Financial Aid Programs* and must receive a Program Participation Agreement (PPA) from ED before being designated an eligible institution.

To make a determination of whether a school is eligible to participate, ED evaluates the application and accompanying documentation. Additional documentation includes the school's financial statements, compliance audits, and other additional materials requested by ED, such as catalogs or contracts with third-party servicers. ED may ask additional questions not listed on the application. If the school has previously participated in the program, ED will examine the school's previous audits and program reviews. ED uses the information provided to determine three factors about the school: eligibility, administrative capability, and financial responsibility.

A foreign school must submit an application to ED:

- when it wishes to be approved for the first time (initial certification) to participate in the FFEL Program;
- when it undergoes a change in ownership, structure, or governance;
- when it wishes to be recertified to participate in the FFEL Program (application must be completed and submitted 90 days before the expiration of the current PPA);

- when it wishes to be designated as an "eligible institution" to certify loan deferments for U.S. students; *or*
- when it wishes to be reinstated to participate in the FFEL Program.

Application Process

Web Site

- www.eligcert.ed.gov

Applications for initial certification, recertification, reinstatement, or reporting changes to previous applications must be submitted to ED through the Internet at www.eligcert.ed.gov. A signature page is required and must be mailed separately along with all required supporting documentation.

- The application is divided into 13 sections and a glossary.
- Sections A through D contain general questions about the school.
- Sections E and F contain questions about educational programs and locations of the school.
- Section G contains questions regarding telecommunications and/or correspondence courses, student eligibility, and incarcerated students.
- Section H should be completed by schools that are initial applicants, schools with a change of ownership or structure, and schools seeking reinstatement.
- Section I is for foreign schools, including foreign graduate medical schools and veterinary schools.
- Section J contains questions regarding third-party servicers.
- Section K contains questions regarding administrative capability and financial responsibility.
- Section L is a signature page for the school's president/CEO.
- Section M contains a list of the required documentation that must be submitted to ED.

The definitions contained in the glossary are generally restatements of statutory or regulatory definitions. The definitions are provided to assist schools in completing the application by helping to ensure that a school knows how a term is defined in the application.

A school seeking initial certification must provide answers to certain basic questions on the electronic application. After answering these questions, the school will be directed to print the application and fax it to ED. ED will provide the school with an Office of Postsecondary Education Identifier

number that gives the school access to the entire electronic application on the Web. The school can then reenter the Web site and complete the application.

A foreign school must submit a copy of the school's most recent catalog and a certified English translation of all sections dealing with degrees and programs provided at the school. The school must also provide a copy of the legal authorization from its country and a certified English translation showing that the school is authorized to provide an educational program beyond the secondary school level and award a degree. A foreign medical school must also provide a copy of the approval to provide a graduate medical educational program from the accrediting agency approved by the NCFMEA and a certified English translation.

The president/CEO/chancellor of the school should review the application and sign it. After the application has been completed, it must be transmitted to ED. The school should also keep a copy of the application and the supporting documentation for its records.

The signature page and supporting documentation should be mailed to ED at one of the addresses listed below.

If by regular mail:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20202-5340

If by overnight mail/courier delivery:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20002-5340
Phone: (for overnight mail/courier delivery only) 202-377-3168

Any additional questions or documentation needed are generally requested within 90 days of ED's receiving the application. Before the application is approved, ED must receive a response to its request for additional information.

Schools participating in the FFEL Program for the first time are required to send two representatives to ED's precertification training. This requirement also applies to schools that have undergone a change in ownership, structure, or governance.

For all institutions, the regulations provide that the CEO may elect to send another executive-level officer of the school to ED's precertification training in his or her place. Both the designated financial aid administrator and the chief executive of the institution or the designee must attend the training up to one year prior to but no later than 12 months after the institution executes its PPA.

- The attending financial aid representative must be the person designated by the school to be responsible for administering the Title IV programs. The financial aid representative must attend all four and one-half days of the workshop.

- If the school uses a consultant to administer its financial aid, the consultant must attend the training as the school's financial aid representative. Because the school ultimately is responsible for proper Title IV program administration, ED strongly recommends that a financial aid employee from the school attend the training as well.

Web Site

- http://SFA4Schools.sfa.ed.gov

The institution may request a waiver of the training requirement for either the financial aid administrator or the chief executive. ED may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training. Information about precertification training is available at http://SFA4Schools.sfa.ed.gov.

A school that has changed ownership or structure during the review period may continue to operate on a provisional basis, provided the institution under the new ownership submits a materially complete application no later than 10 business days after the change occurs.

If a school was previously certified and is resubmitting an application to continue to participate, the school is considered to be in a certified period as long as the application is submitted in the correct time frame.

If a school once participated but no longer participates or if it has never been eligible, the school will not be considered certified during the review period.

After reviewing the application, ED sends the school a PPA or an application denial letter. A foreign school with questions may contact ED's Foreign Schools' Team at:

Where to Call

- Foreign Schools Team
  202-377-3168

Telephone: 202-377-3168
Fax: 202-205-2904
Email: OSFA.Foreign.Schools.Team@ed.gov

Temporary Approval for Continued Participation

ED permits a school undergoing a change in ownership that results in a change in control to continue to participate in the Title IV programs on a provisional basis if the school submits a materially complete application that is received by ED no later than 10 business days after the change becomes effective. A materially complete application for the purpose of applying for a temporary approval must include:

- a fully completed application form;
- a copy of the school's country license or equivalent that was in effect on the day before the change in ownership took place;
- a copy of the accrediting agency's approval (in effect on the day before the change in ownership) that granted the school accreditation status, including an approval of the nondegree programs it offers;
- financial statements of the school's two most recently completed fiscal years that are prepared and audited in accordance with the requirements of generally accepted accounting principles (GAAP), published by the Financial Accounting Standards Board, and generally accepted governmental auditing standards (GAGAS) published by the U.S. General Accounting Office;
- audited financial statements for the school's new owner's two most recently completed fiscal years that are prepared and audited in accordance with GAAP and GAGAS or acceptable equivalent information for that owner; *and*
- a completed signature page, Section L.

The signature page and supporting documentation should be mailed to ED at one of the addresses listed below.

If by regular mail:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20202-5340

If by overnight mail/courier delivery:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20002-5340
Phone: (for overnight mail/courier delivery only) 202-377-3168

If the application is approved, ED sends the school a Temporary Provisional PPA. The Temporary Provisional PPA extends the terms and conditions of the PPA that were in effect for the institution before its change of ownership.

The Temporary Provisional PPA expires on the earlier of:

- the date that ED signs a new PPA;
- the date that ED notifies the school that its application is denied; *or*
- the last day of the month following the month in which the change of ownership occurred unless the school provides the necessary documents.

ED can automatically extend the Temporary Provisional PPA on a month-to-month extension if, prior to the expiration date, the school submits:

- a same-day balance sheet showing the school's financial position on the day the ownership changed, prepared in accordance with GAAP and audited in accordance with GAGAS;
- (if not already provided) approval of the change of ownership from the school's agency that legally authorizes postsecondary education in that country;
- (if not already provided) approval of the change of ownership from the school's accrediting agency; *and*
- a default management plan that follows examples provided by ED, unless the school is exempt from providing one.

The school is exempt from providing a default management plan if the school, including its main campus and any branch campus, does not have a cohort default rate in excess of 10 percent, and the owner of the school does not, and has not, owned any other school with a cohort default rate in excess of 10 percent.

Web Site

- www.eligcert.ed.gov

Updating the Application

A school is required to report changes to certain information on its approved application. These changes must be reported electronically within 10 calendar days of the change. Some of these changes require ED's approval before the school may disburse FFEL Program funds.

Changes that require ED's written approval include:

- change in the country's authorizing agency;
- increase in level of program offering (for example, adding graduate degree programs when the school previously offered only undergraduate programs);
- addition of certain locations;
- addition of a branch campus;
- change in type of ownership; *and*
- change in ownership.

Reference

- DCL GEN-97-6

Other changes that must be reported to ED but that do not require ED's approval include:

- change of name or address (including main branch and separate locations);
- addition of certain locations;
- measures of program length;
- decreases in program level;
- changes in control;
- changes in FFEL Program administrators;
- closure of reported branches and locations;
- changes in governance of public institutions;
- change to postsecondary authorization;
- change to degree authorization;
- change to program equivalence;

- change to program criteria; *and*
- change to U.S. administrative or recruitment offices.

Foreign graduate and medical schools must also report any:

- change to the accrediting body;
- change to NCFMEA approval of the accrediting entity; *and*
- change to clinical sites located in the United States.

When one of these changes occurs, within 10 calendar days a school must report the change and the date the change occurred using the electronic application. In addition, a school must send:

- any required supporting documentation *and*
- Section L of the application containing the original signature of the appropriate person.

The supporting documents must be sent to ED at the address on page 2-9 of this chapter. If further action is needed, ED will tell the school how to proceed and which materials and additional completed sections of the application need to be submitted. After receiving the required materials (and depending on the circumstances), ED will evaluate the change, either approving or denying the change, and notify the school.

Change of Ownership

A change in ownership and control occurs when a person or corporation obtains or loses authority to control a school's actions, whether the school is a proprietary institution, a partnership, or a corporation. The most common examples of change in controlling interest are when a school is sold to a new owner, two or more schools merge, or one school divides into several schools.

A school must submit a completed application to ED following any change in ownership and control. In these cases, the PPA signed by the former owner automatically expires on the date the change takes place, and the school's FFEL Program participation ends. The school may not certify FFEL Program loans until it receives a new PPA from ED.

Program Participation Agreement

As mentioned, once a school is certified by ED to participate in the FFEL Program, it must enter into an agreement with ED called the Program Participation Agreement (PPA).

The PPA provides information on the terms and conditions of participation. Under the PPA, the school agrees to comply with the laws, regulations, and policies governing the FFEL Program. Once a school is certified for participation, the school must administer FFEL Program funds in a practical and responsible manner. When a school no longer provides educational instruction, a school's PPA automatically terminates.

The PPA lists the basic administrative requirements of FFEL Program participation. If ED approves a school's application, ED sends the school two copies of the PPA. The PPA includes the date that the school's eligibility to participate expires. The school must sign and return both copies to ED. ED then sends the school an Eligibility and Certification Approval Report (ECAR) and a copy of the PPA signed and dated on behalf of the U.S. Secretary of Education for the school's records. Both the ECAR and the PPA must be made available for review by auditors, program reviewers, and other ED officials.

The date the PPA is signed by ED is the date the school may begin participation. FFEL Program fund disbursements may begin in the loan period in which ED signed the PPA. ED's Program Systems Service and regional offices, as well as state guaranty agencies, are notified that the school is approved to participate.

School Participation Requirements

Take a Look

- See Appendix E for contracts with third-party servicers.

Once a foreign school has been approved by ED to participate in the FFEL Program, the school must perform certain actions to maintain its participation. The following discussion of participation requirements is addressed to schools, but a school may contract with a third party to perform these actions. See Contracts with Third-Party Servicers in Appendix E.

Administrative Capability

To be certified to participate in the FFEL Program, a foreign school must demonstrate that it is administratively capable of providing the education promised and of properly managing the program.

Required Electronic Processes

Web Site

- http://SFA4Schools.sfa.ed.gov

A school can receive ED guidance from ED's SFA4Schools Web site at http://SFA4Schools.sfa.ed.gov about required electronic processes. A school that uses a third-party servicer may want to be kept informed by the servicer of all information posted by ED on the Web site. A school may enroll in ED's "fax broadcast" service to receive high-priority messages from ED automatically by facsimile. This service will be used for messages that need immediate attention. These messages will also be posted on the Web site. To enroll, a school may call 319-337-5665.

Where to Call

- Fax Broadcast Service 319-337-5665

Coordination of Student Financial Aid

One standard of administrative capability requires that an eligible foreign school designate a capable individual to administer the FFEL Program. An individual is considered "capable" if he or she has successfully completed FFEL Program training provided or approved by ED and has previous experience and documented success in FFEL Program administration. The school's administration must be coordinated in such a way that all the information it receives from any school office concerning a student's FFEL eligibility is communicated to the FFEL Program administrator. The administrator must be aware of the sources of aid at the school and must be able to coordinate with all financial aid programs at the school to ensure that a student does not exceed his or her need.

Ensuring Consistent Student Information

A school must have a system of identifying and resolving discrepancies in the FFEL Program-related information received by various school offices. Such a system would include a review by the school of all financial aid and need analysis documents and documents relating to admissions, citizenship, and previous educational experience. For instance, the school's admissions or registrar's office must provide the FFEL Program administrator with any information it has that affects a student's eligibility, the student's enrollment in an ineligible program, or past educational experience.

ED Office of Inspector General Referrals

If a school finds that a student may have engaged in fraud or other criminal misconduct in applying for FFEL Program funds, it must refer this information to ED's Office of Inspector General (OIG). The OIG in turn notifies other officials as appropriate. This requirement does not preclude the school from notifying other law enforcement agencies as necessary. Examples of fraudulent information include, but are not limited to, the use of false identities, forgery of signatures or certifications, and false claims of income, citizenship, or independent student status.

Where to Call

- Office of Inspector General
  202-205-5770

The school must also inform the OIG of any credible information indicating that any employee or servicer may have engaged in fraud relevant to the FFEL Program eligibility of the school or its students. The OIG may be reached at 1-800-MIS-USED (1-800-647-8733) or 202-205-5770, by fax at 202-260-0230, and by email at OIG.hotline@ed.gov.

Counseling

Take a Look

- See Chapter 4 for more information on entrance and exit counseling.

A school must provide adequate financial aid counseling to all enrolled and prospective students. Counseling must include, at a minimum, information about the source and amount of the financial aid offered and the method used to determine and disburse or apply aid to a student's account. This counseling should also include information about the student's rights and responsibilities associated with enrollment and receipt of financial aid. The

information presented should include a description of the school's refund policy, the requirements for the treatment of FFEL Program funds when a student withdraws, satisfactory academic progress standards, and any other conditions or factors that affect the student's aid package. The school must also provide entrance and exit counseling for student borrowers in the FFEL Program.

Staffing

To manage a school's participation effectively, the FFEL Program administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An "adequate" staff depends on the number of students aided, the number of applicants evaluated and processed, the amount of funds administered, the type of financial aid delivery system the school uses, and the school's use of third-party contractors. ED determines, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the FFEL Program.

Responsibility for overall administration resides with the school's president, chancellor, or CEO. Although authority and responsibility are delegated to other offices, the leadership and support of the CEO or president are crucial to successfully administering the FFEL Program. The school should have written information indicating the responsibilities of its various offices with respect to the FFEL Program.

A school must also ensure that its administrative procedures for the FFEL Program include an adequate system of internal checks and balances. For schools that receive direct disbursements of FFEL loans, this system must, at a minimum, separate the functions of authorizing payment of funds and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving FFEL Program funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

Authorization and disbursement must each be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. Substantial control is defined as direct or indirect control over at least 25 percent ownership interest (either alone or with family members), representation (under voting trust, power of attorney, or proxy) of a person who individually or with a group has at least 25 percent ownership interest, status as CEO or other executive officer, or membership on a board of directors of an entity that holds at least 25 percent ownership.

Satisfactory Academic Progress

An eligible foreign school must publish and apply a policy to measure the academic progress of its students that complies with the elements of a reasonable standard of satisfactory progress as described in the regulations. A school can use satisfactory academic progress standards set by an accrediting agency or some other organization, as long as the standards meet U.S. requirements. The policy used for students who receive FFEL Program funds must be at least as strict as the policy used for those who do not receive FFEL Program funds. The policy must be applied consistently to all FFEL recipients within identifiable categories, such as full-time or part-time, graduate, or undergraduate. The policy must include both a qualitative measure (grade point average, work projects completed, or comparable factors that are measured against a norm) and a quantitative measure (maximum time frame for completion of the program) of the student's progress.

U.S. laws and regulations specify minimum standards for satisfactory academic progress. For an undergraduate program, the maximum time frame cannot exceed 150 percent of the published length of the program measured in academic years, academic terms, credit hours attempted, or clock hours completed, as appropriate. For example, if the published length of a program is 120 credit hours, the maximum time frame established by the school to complete the program cannot exceed 180 attempted credit hours.

The time frame must be divided into increments not longer than the lesser of one academic year or one half the published length of the educational program. The school's policy must include a schedule designating the minimum amount or percentage of work a student must successfully complete by the end of each increment to complete the program within the maximum time frame. The policy must provide for a determination at the end of each increment as to whether the student has met the qualitative and quantitative standards. The policy must be consistent within all programs and categories of students.

In addition, if the program is longer than two academic years, the undergraduate student must, at the end of the second year, have a grade point average of at least a "C" or its equivalent or have academic standing consistent with the school's requirements for graduation. Exceptions are permissible only if the school determines that a student's failure to meet satisfactory academic progress requirements is due to the death of a relative, an injury or illness of the student, or other special circumstances. The school must review academic progress, at a minimum, at the end of each year. A student who is not making satisfactory progress at the end of the second year but comes into compliance with graduation requirements at the end of a later grading period may be considered to be making satisfactory progress beginning with the next grading period.

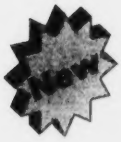
A school's satisfactory academic progress policy must explain how withdrawals, grades of incomplete, repeated courses, and noncredit remedial work affect the satisfactory academic progress determination. A procedure must be established to enable a student to appeal a determination that finds that he or she is not making satisfactory academic progress. It must also specify how a student may reestablish that he or she is making satisfactory progress.

Financial Aid History

Laws & Regulations

- 34 CFR 668.19

A school must consider a student's financial aid history in making FFEL Program awards. Previously, a school was required to either obtain a paper financial aid transcript (FAT) or to verify eligibility through the National Student Loan Data System (NSLDS) for all students who previously had attended a postsecondary institution. Effective July 1, 2001, new regulations eliminated the requirement that schools obtain a paper FAT. The regulations now mandate the use of NSLDS data for purposes of obtaining financial aid history information.



The regulations make a distinction between two types of transfer students. For a prior-year transfer, the new institution may continue to rely on the Student Aid Report (SAR)/Institutional Student Information Record (ISIR) financial aid history information it receives for that student. For a current-year transfer student, instead of requesting a paper FAT from the former institution, the new institution should request updated student eligibility information from NSLDS.

The new regulations also replace the various certification, origination, and disbursement provisions in the former rules with only one requirement: An institution may not make a disbursement of student financial assistance program funds to a current-year transfer student for seven days after it requests updated information from NSLDS. An institution may make a disbursement earlier to a student who is otherwise eligible if, within the seven-day period, NSLDS provides the updated information to the institution or the institution obtains the information itself directly from NSLDS.

The new regulations eliminate the requirement that an institution that receives a request for the completion of a paper FAT must respond to that request. However, through July 1, 2001, in all cases where an institution or student requests a paper FAT, the former institution must complete and promptly return the FAT.

Cohort Default Rates

A school may be found to have impaired administrative capability when the cohort default rate for its FFEL Program unsubsidized and subsidized Stafford Loans exceeds 25 percent for one or more of the three most recent fiscal years.

The cohort default rate is the percentage of current and former students who entered repayment on a subsidized or unsubsidized Stafford Loan in a given fiscal year (for the U.S. government, October 1 through September 30) and who defaulted before the end of the following fiscal year. However, a borrower who enters repayment on more than one of these loans during the fiscal year in question is counted only once in computing the school's default rate for that year. Federal PLUS Loans and Federal Consolidation Loans are not included in calculating a school's cohort default rate.

For the purpose of calculating cohort default rates for subsidized or unsubsidized Stafford Loans, a loan is generally considered to have entered repayment on the first day following six months of an uninterrupted initial grace period.

For the purpose of calculating cohort default rates under the FFEL Program, a loan is considered in default on the date that ED or the guaranty agency pays a default claim.

ED calculates draft cohort default rates before it calculates and publishes the official rates. ED's calculation of draft rates gives schools a reasonable opportunity to review and correct errors in their repayment and default information that guaranty agencies provided to ED for the purpose of calculating the rates. A school that does not submit a challenge will not be able to correct certain errors once ED releases the official cohort default rate.

A school with an official cohort default rate of 10 percent or more receives a copy of the supporting data used in the calculation of the rate. A school with a rate of less than 10 percent may request the supporting documentation used to calculate the rate within 10 working days if it wants to examine the data.

If a school finds inconsistencies between its records and the draft data, it must submit a challenge to the relevant guaranty agency within 30 calendar days of receiving the data. If the guaranty agency agrees with the school's allegations of error, the agency will submit data corrections to NSLDS.

A school should strive to keep its cohort default rates low to maintain its eligibility to participate in the FFEL Program. Three consecutive rates of 25 percent or more or one rate of over 40 percent results in a period of ineligibility of two years or longer.

A school may be exempt from certain sanctions regardless of its cohort default rates if it has a small number of borrowers or it makes a successful appeal.

Reference

- DPL GEN-01-08

Web Site

- http://SFA4Schools.sfa.ed.gov

Laws & Regulations

- 34 CFR 668.17

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Default Management Plan

A school new to the FFEL Program is required to develop a default management plan before certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan. The school's default management plan must be accepted by ED.

The Higher Education Amendments of 1998 provided that a school is exempt from submitting a default management plan if the school and its affiliates have a cohort default rate that is 10 percent or less and the new owner does not own, and has never owned, any other school with a cohort default rate over 10 percent.

Debarment and Suspension

Debarment and suspension actions are imposed against individuals who the U.S. government determines constitute a current risk to U.S. agencies based on the individual's action.

If a school or its principals have been suspended, debarred, or proposed for debarment by a U.S. agency, the school is no longer eligible to participate in the FFEL Program. The principals of a school include the owner(s), director(s), officers, partners, employees, or any other person with primary management or supervisory responsibilities. A principal may also be someone who is *not* employed by the school but who has critical or substantive influence over a covered transaction.

If a school discovers that a person employed in a management or supervisory capacity has been suspended or debarred by a U.S. agency, the school must remove that person from the position or risk losing eligibility.

Financial Responsibility

To participate in the FFEL Program, a foreign school must demonstrate that it is financially responsible.

- A foreign school that received less than $500,000 (U.S. dollars) in FFEL Program funds during its most recently completed fiscal year will have its financial responsibility determined through ED's examination of audited financial statements prepared according to the standards of the school's home country.

- A foreign school that received $500,000 or more in FFEL Program funds during its most recently completed fiscal year must submit its audited financial statements in accordance with U.S. regulations and satisfy the financial responsibility standards described in this section.

ED determines whether a school is financially responsible on the basis of its ability to:

- provide the services described in its official publications and statements;
- properly administer the FFEL Program in which it participates; *and*
- meet all of its financial obligations.

Financial responsibility standards can be divided into two categories: general standards and performance and affiliation standards. General standards are basic standards used to evaluate a school's financial health. Performance and affiliation standards are standards used to evaluate a school's past performance and to evaluate persons affiliated with the school.

Laws and Regulations

- 34 CFR 668, Subpart L

Take a Look

- See Chapter 5, Return of Title IV Funds.

General Standards for Private Nonprofit or Proprietary Institutions

A private nonprofit or proprietary institution is financially responsible if ED determines that the school:

- has a composite score (explained below) of at least 1.5, based on review of the school's financial statement under ED criteria;
- has sufficient cash reserves to make the required return of FFEL Program funds (these requirements are known as the "refund reserve standards");
- is current in its debt payments; *and*
- is meeting all its financial obligations, including making required returns of FFEL Program funds and making repayments to cover debts and liabilities arising from participation in the FFEL Program.

Even if a school meets all the above general requirements, ED does not consider the school to be financially responsible if:

- the auditor's opinion is adverse, qualified, or disclaimed (unless ED determines that a qualified or disclaimed opinion does not have a significant bearing on the school's financial condition), or the school has a statement by the auditor in its audited financial statement expressing doubt about the continued existence of the school as a "going concern," *or*
- the school violated certain requirements relating to past performance in the FFEL Program.

Laws & Regulations

- 34 CFR 668.172

Composite Score

The composite score standard combines different measures of fundamental elements of financial health to yield a single measure of a school's overall financial health. This method allows financial strength in one area to make up for financial weakness in another area. In addition, this method provides an equitable measure of the financial health of schools of different sizes.

The first step ED takes in calculating a school's composite score is to determine the school's primary reserve, equity, and net income ratios by using information from the school's audited financial statement in the ratios established by ED. These ratios are used to take into account the total financial resources of the school. The ratios differ depending on whether the school is private nonprofit or for profit. The primary reserve ratio represents a measure of a school's viability and liquidity. The equity ratio represents a measure of a school's ability to borrow and its capital resources. The net income ratio represents a measure of a school's profitability. Upon review, some items from a school's audited financial statement may be excluded from the calculation of the ratios. For example, ED may exclude the effects of questionable accounting treatments, such as excessive capitalization of marketing costs, from the ratio calculations.

ED then calculates a strength factor score for each ratio. The equations depend upon whether the school is private or nonprofit. A strength factor score reflects a school's relative strength or weakness in a fundamental element of financial health, as measured by each of the ratios. Specifically, the strength factor scores reflect the extent to which a school has the financial resources to replace existing technology with newer technology; replace physical capital that wears out over time; recruit and re-train faculty and staff (human capital); and develop new programs. Once again, the algorithms differ depending on the type of school.

A weighting percentage is applied to each strength factor score to obtain a weighted score for each ratio. The sum of the weighted scores equals the school's composite score. Because the weighted scores reflect the strengths and weaknesses represented by the ratios and take into account the importance of those strengths and weaknesses, a strength in the weighted score of one ratio may compensate for a weakness in the weighted score of another ratio calculation. The weighting percentage used for private for-profit and nonprofit schools differs. The resulting weighted scores are added to arrive at the composite score.

Once the composite score is calculated, it is measured along a common scale from negative 1.0 to positive 3.0. The scale reflects the degree of certainty that a school will be able to continue operations and meet its obligations to its students and ED. See the Financial Responsibility Composite Score Scale shown on the next page.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Financial Responsibility Composite Score Scale

1.5 to 3.0	Financially responsible without further oversight.
1.0 to 1.4	Financially responsible if it meets the "zone alternative" or posts with ED a letter of credit equal to 50 percent or greater of FFEL Program funds it received in its most recent fiscal year. May be permitted to participate under provisional certification with smaller letter of credit, but not considered fully financially responsible.
-1.0 to .9	Financially responsible if it meets the 50 percent or greater letter of credit alternative. May be permitted to participate under provisional certification with smaller letter of credit, but not considered fully financially responsible.

Cash Reserves

Laws & Regulations

- 34 CFR 668.173

A school must have sufficient cash reserves to make any required return of FFEL Program funds. ED considers a school to have sufficient cash reserves if the school demonstrates that it makes its refunds and returns to FFEL funds in a timely manner.

A school has made its refunds and returns in a timely manner if it can demonstrate, through audits for the two most recent fiscal years, that for the past two years the school has paid required refunds and returns on time, and if the auditor did not note for either fiscal year a material weakness or a reportable condition in the school's report on internal controls that is related to refunds and returns.

ED provides for a small margin of error in determining that a school has paid all required refunds and returns on time. ED considers a school to have paid refunds and returns in a timely manner if the auditor did not note in either of the two most recent fiscal years a material weakness or reportable condition in refund-related internal controls and:

- less than 5 percent of the returns and refunds sampled by the auditor were late *or*
- there is only one late return in the sample of refunds and returns examined by the auditor (regardless of the percentage of returns in the sample represented by the one late return).

If a finding is made that a school no longer meets the criteria for demonstrating that it has sufficient cash reserves to make any required refunds, the school must post a letter of credit equal to 25 percent of the total FFEL Program refunds and returns made or that should have been made by the school during its most recently completed fiscal year.

The school must submit the letter of credit to ED no later than 30 days after the school is notified of the finding or no later than 30 days after the school's compliance audit is due if it was the auditor who conducted the school's compliance audit who determined that the school no longer qualifies. The letter of credit must be sent to:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20202-5340

In addition to posting the letter of credit, if a guaranty agency determines that the school no longer meets the refund reserve standard, the school must notify ED of the guaranty agency that conducted the review.

Current in Debt Payments

A school is not current in its debt payments if:

- it is in violation of any existing loan agreement at its fiscal year end, as disclosed in a note to its audited financial statements or audit opinion *or*
- it fails to make a payment in accordance with existing debt obligations for more than 120 days, and at least one creditor has filed suit to recover funds under those obligations.

General Standards for Public Schools

A public foreign school is financially responsible if its debts and liabilities are backed by the full faith and credit of a government entity. ED considers a public school to have that backing if it notifies ED that it is designated as a public institution by the government entity that has the legal authority to make that designation. The school must also provide ED with a letter from an official of the appropriate government entity confirming the school's status as a public school.

A public school must also meet the past performance standards and submit financial statements.

Alternatives to General Standards

Laws & Regulations

- 34 CFR 668.175

If a foreign school does not meet the general standards for financial responsibility, ED may still consider the school to be financially responsible or it may allow the school to participate under provisional certification if the school qualifies for an alternative standard.

If ED determines that a school that does not meet one or more of the general standards also does not qualify for an alternative standard, ED may

initiate a limitation, suspension, or termination action against the school or deny certification.

Alternative for a New School

A school that seeks to participate in the FFEL Program for the first time and does not meet the composite score standard (has a composite score of less than 1.5) but meets all other standards may demonstrate financial responsibility by submitting an irrevocable letter of credit to ED. The letter of credit must be acceptable and payable to ED and equal to at least 50 percent of the FFEL Program funds that ED determines that the school would receive during its initial year of participation.

Alternative for a Participating School

A participating institution that fails to meet one or more of the general standards or is not financially responsible because it has an unacceptable audit opinion may demonstrate financial responsibility by submitting an irrevocable letter of credit to ED. The letter of credit must be acceptable and payable to ED and equal to at least 50 percent of the FFEL Program funds that the school has received during its most recently completed fiscal year.

Zone Alternative

A participating school that fails to meet the composite score standard (has a composite score of less than 1.5) but meets all other standards may demonstrate financial responsibility for up to three consecutive fiscal years if ED determines that the school's composite score is equal to 1.0 to 1.4 for each of those years and the school meets specific monitoring and cash management requirements.

This alternative gives a school the opportunity to improve its financial condition over time without requiring the school to post a letter of credit or participate under provisional certification. Under the zone alternative, a school's operations, including its administration of the FFEL Program, are monitored more closely. If a school does not score at least 1.0 in one of the two subsequent fiscal years or does not improve its financial condition to attain a composite score of at least 1.5 by the end of the three-year period, the school must satisfy another alternative standard to continue to participate. In addition, if a school fails to comply with the information reporting or payment method requirements, ED may determine that the school no longer qualifies under this alternative.

Under this alternative, the school:

- must request and receive funds under the cash monitoring or reimbursement payment methods, as specified by ED;

- must provide timely information regarding certain oversight and financial events (for example, any adverse action taken by the school's accrediting agency);
- may be required to submit its financial statement and compliance audit earlier than normally required; *and*
- may be required to provide information about its current operations and future plans.

The school must also require its auditor to express an opinion, as part of the school's compliance audit, on the school's compliance with the requirements of the zone alternative, including the school's administration of the payment method under which the school received and disbursed FFEL Program funds.

Provisional Certification for Schools Not Meeting the Standards

If a participating institution fails to meet one or more of the general standards or is not financially responsible because it has an unacceptable audit opinion, ED may permit the school to participate under provisional certification for up to three years. For example, a school with a composite score of less than 1.0 that cannot post the 50 percent letter of credit required for the letter of credit alternative may be permitted to continue to participate under provisional certification by submitting a smaller letter of credit.

ED may also permit a school that is not financially responsible because of a condition of past performance of the school to participate under provisional certification for up to three years if the school demonstrates to ED that it has satisfied or resolved the condition.

A school that participates under provisional certification for a lack of financial responsibility does so under the following conditions:

- The school must submit to ED a letter of credit, payable and acceptable to ED, for an amount determined by ED. This amount must be equal to at least 10 percent of the FFEL Program funds received by the school during its most recent fiscal year.
- The school must demonstrate that it has met all of its financial obligations and was current on its debt payments for its two most recent fiscal years.
- ED may require the school to comply with the requirements under the zone alternative regarding cash payment and information reporting.

If a school is still not financially responsible at the end of a period of provisional certification, ED may again permit provisional certification.

However, ED may require the school or the persons or entities that exercise substantial control over the school to submit financial guarantees to ED to satisfy any potential liabilities arising from the school's participation in the FFEL Program. The same persons may be required to agree to be jointly and severally liable for any program liabilities.

ED is not required to offer provisional certification to a school. It is an alternative that ED may offer the school instead of denying an application for recertification.

Past Performance and Affiliation Standards

In addition to meeting the general standards of financial responsibility and not having an unfavorable audit opinion, a school must demonstrate that it properly administers the FFEL Program and that it meets all of its financial obligations, including repayments to ED for debts and liabilities. This aspect of a school's financial responsibility is evaluated on the basis of past performance of the school and the persons affiliated with the school.

Past Performance of a School

A school is not financially responsible if it:

- has been subject to a limitation, suspension, or termination action or has entered into an agreement to resolve a limitation, suspension, or termination action initiated by ED or a guaranty agency in the past five years;
- has had, in either of the last two compliance audits or in a program review, findings for the current or either of the previous two fiscal years audit that required a repayment of more than 5 percent of the FFEL Program funds received by the school for the year covered by the review or audit;
- has been cited during the past five years for failing to submit compliance audits and financial statements in a timely manner as required; *or*
- has failed to satisfactorily resolve any compliance problems identified in program reviews or audit reports, based upon a final decision of ED.

Past Performance of Persons Affiliated with a School

A school is not financially responsible if a person who exercises control over the school (or any member of the person's family) owes a liability for an FFEL Program violation or has ever exercised control over another school (or a third-party servicer) that owes a liability for an FFEL Program violation unless that person, family member, institution, or servicer demonstrates that the liability is being repaid in accordance with an agreement with ED.

ED may consider a school that does not meet this requirement to be financially responsible if the school:

- notifies ED that the person repaid an acceptable portion of the liability, in accordance with the regulations;
- notifies ED that the liability is currently being repaid in accordance with a written agreement; *or*
- demonstrates to the satisfaction of ED:
  - why the person who exercises substantial control should nevertheless be considered to lack that control *or*
  - why the person who exercises substantial control and each member of that person's family do not or did not exercise substantial control over the institution or servicer that owes the liability.

It is no longer a U.S. requirement for schools that participate in the FFEL Program to maintain fidelity bond coverage for their employees. A school may choose to do so, however, to protect itself when liabilities arise as a result of lack of honesty on the part of the school's employees or officers.

A school must report any changes of control under which a person acquires the ability to substantially affect the actions of the school. Such changes in control could call into question the school's financial responsibility.

Provisional Certification for Schools Substantially Controlled by Persons or Entities Owing Liabilities

If a school is not financially responsible because the persons or entities that exercise control over the school owe an FFEL Program liability, ED may permit the school to participate under provisional certification if:

- the persons or entities that owe the liability repay or enter into an agreement with ED to repay the liability. In lieu of this, the school may assume the liability and repay or enter into an agreement to repay the liability;
- the school meets all the general standards of financial responsibility except that the school must demonstrate that it has met all of its financial obligations and was current on its debt payments for its two most recent fiscal years; *and*
- the school submits to ED a letter of credit, payable and acceptable to ED, for an amount determined by ED. The amount must be equal to at least 10 percent of the FFEL Program funds received by the school during its most recent fiscal year.

The school must comply with the requirements under the zone alternative regarding cash management and information reporting.

In addition, ED may require the school or persons or entities that exercise substantial control over the school to submit financial guarantees to ED to satisfy any potential liabilities arising from the school's FFEL Program participation. The same persons may be required to agree to be jointly and severally liable for any FFEL Program liabilities.

Again, provisional certification is offered to a school at ED's discretion. ED is not required to offer provisional certification to a school.

Audited Financial Statements

ED reviews all financial statements it receives. A preliminary calculation of the school's composite score is made and a determination whether the statements are materially complete based on a checklist of minimum requirements is performed. In some cases a school may receive a more thorough analysis of its financial statements. Financial statements are covered in more detail in the section that addresses audits.

Contracts with Third-Party Servicers

Laws & Regulations

- 34 CFR 668.25

Take a Look

- See Appendix E for more information on third-party servicers.

A foreign school is allowed to contract with a third-party servicer for assistance in administering its FFEL Program. *However, the school is ultimately responsible for the use of the funds and is held accountable if the third-party servicer mismanages the funds.* The school may choose to include in its third-party servicer's contract provisions for compensating the school for liabilities the school owes ED as a result of the servicer's errors. A third-party servicer is defined as an individual or organization that enters into a contract with a school to administer any aspect of the institution's participation in the Title IV programs. See Appendix E, "Getting Help," for more information on third-party servicers.

Schools must notify ED of all existing third-party contracts and provide ED with the servicer's name, address, employer identification number, telephone number, fax number, and Internet address. If a school modifies a contract or enters into a new contract with a third-party servicer, or if the third-party servicer ceases to provide contracted services, goes out of business, or files for bankruptcy, the school is required to notify ED. Notification should include the name and address of the servicer and the specific change or action that has taken place. ED must be notified within 10 days of the date of the change or action. Additions or changes to a school's third-party servicer must be reported to ED in Section J of the *Application for Approval to Participate in Federal Student Financial Aid Programs.*

Cash Management

The cash management requirements are intended to:

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

- promote sound cash management of FFEL Program funds by schools;
- minimize the costs to the U.S. government of making FFEL Program funds available to students and schools; *and*
- minimize the costs that accrue to students who receive FFEL Program loans.

The FFEL Program funds received by a school are intended solely for the use of student beneficiaries. All funds are held in trust by the school for students, ED, and in the case of FFEL Program funds, for lenders and guaranty agencies. FFEL Program funds cannot be used as collateral or for any other purpose. These rules and procedures also apply to a third-party servicer.

Limitations on Use of FFEL Funds

Laws & Regulations

- 34 CFR 668.167(d)

When ED determines that there is a need to strictly monitor a school's participation in the FFEL Program, the school may be placed on the cash monitoring payment method. If a school is placed on cash monitoring it will receive a letter from ED describing the limitations. The school may be prohibited from certifying a loan application for a borrower until the school's request to make the certification for that borrower is approved by ED. This restriction applies on the date that ED notifies a school that it must obtain approval to certify loan applications.

The school must provide documentation demonstrating that each borrower included in the request is eligible to receive a disbursement or certification. The documentation must be provided to ED or an entity approved by ED for that purpose (for example, a certified public accountant, a financial aid consultant, or a guaranty agency).

Until ED approves a request, the school may be:

- prohibited from endorsing a master check or obtaining a borrower's endorsement of any loan check the school receives from a lender;
- required to maintain loan funds that it receives from a lender via electronic funds transfer (EFT) in a separate bank account; *and*
- prohibited from certifying a borrower's loan application.

Maintaining and Accounting for Funds

Laws & Regulations

- 34 CFR 668.163

For each account that contains FFEL Program funds, a school must identify that FFEL Program funds are maintained in the account by including the phrase "U.S. federal funds" in the name of the account.

ED may require a school to maintain FFEL Program funds in a separate account if ED determines that the school failed to comply with cash management requirements, recordkeeping and reporting requirements, or other applicable program regulations.

Delivery and Disbursement of FFEL Program Funds

Laws & Regulations

- 34 CFR 668.164

FFEL Program funds may be disbursed directly to the student or the parent by the lender. In this case, the lender must notify the school that the funds have been disbursed and provide the name and Social Security number of the student or the name and Social Security number of the parent borrower for PLUS Loans. Other information that must be provided includes:

- the type of loan;
- the amount of the disbursement;
- the date of the disbursement; *and*
- the name, address, telephone, and fax number or email address of the lender, servicer, or guaranty agency to which inquiries should be directed.

FFEL Program funds may also be delivered by EFT directly from the lender to a school for FFEL Program borrowers at the school. In that case, FFEL Program funds are disbursed when a school credits a student's account with the funds or pays a student or parent directly.

It is important for a number of reasons to distinguish when FFEL Program funds have been disbursed. To begin with, once the funds have been disbursed, a student becomes an FFEL recipient, and the rights and responsibilities of a loan recipient are in effect; for example, the student assumes responsibility for all the interest accruing on the loan if it is unsubsidized and has the right to cancel the loan. In addition, knowing when a disbursement occurs allows a school to determine when it must comply with regulatory requirements related to disbursements and other cash management issues.

When a school disburses FFEL Program funds to a student by crediting the student's account, it may only do so for allowable charges. Funds in excess of the allowable charges must be paid directly to the student, unless the student authorizes otherwise. Allowable charges are current charges for tuition and fees, room and board (if the student contracts with the school), and other current charges that a student incurs for educationally related activities, if the school obtains the student's or parent's authorization to have such charges credited with FFEL Program funds.

In addition to crediting a student's account, a school may disburse FFEL Program funds directly to a student or parent. A school or lender does this by:

- releasing a check provided to the school by an FFEL Program lender to the student or parent;
- issuing a check or other instrument payable to and requiring the endorsement or certification of the student or parent;
- initiating an EFT to a bank account designated by the student or parent; *or*
- paying the student in cash, in which case the school must obtain a signed receipt from the student or parent.

A parent borrower of Federal PLUS Loan funds may authorize the school to transfer these funds to a bank account in the student's name.

Time Frames for Disbursing FFEL Funds from the Lender

Funds may not be disbursed before the student has registered. To minimize the risk of liability to the school in the event the student withdraws, the school should require payment for all institutional charges to be assessed against the student as soon as possible, even if the FFEL lender disbursed the loan directly to the student.

Early Disbursements

Laws & Regulations

- 34 CFR 668.164(f)

The earliest a school may disburse FFEL Program funds is:

- 10 days before the first day of classes for the academic year (period of enrollment) for a student enrolled in a credit-hour program offered in semester, trimester, or quarter academic terms *or*
- the later of 10 days before the first day of classes for the academic year (period of enrollment) or the date the student completed the previous academic year for which he or she received FFEL Program funds, for a student enrolled in a clock-hour program or a credit-hour program that is not offered in semester, trimester, or quarter academic terms.

Late Disbursements

Laws & Regulations

- 34 CFR 668.164(g)

A school may make a late first disbursement of FFEL Program funds to an ineligible student if the student became ineligible because he or she is no longer enrolled at the school at least half time for the loan period. A late disbursement may be made only if two conditions were met before the student became ineligible: the student gave the school a SAR with an Expected Family Contribution calculated by ED, and the school certified the

loan. The disbursement must take place within 90 days of the loss of eligibility and can be made only if the funds are used to pay for educational costs the student incurred while eligible.

A school may make a late disbursement only if the funds are used to pay for unpaid educational costs that the school determines the student incurred for the period that the student was enrolled and eligible. A school is not required to obtain detailed expenditure documentation from the student. Instead, it may develop a policy that applies in all cases. For example, a school may adopt a policy that all expenses for books and supplies are considered to have been incurred by a student who withdraws after the first two weeks of the term (provided that this policy does not conflict with any applicable refund requirements).

Returning FFEL Program Funds

When a school receives FFEL Program funds from the lender by EFT or master check, the school must credit the student's account or issue a direct payment to the eligible student or parent borrower within three business days. If the FFEL lender provided the loan funds through a check requiring the endorsement of the student or parent, the school must disburse those funds to eligible students or, for Federal PLUS Loan funds, to parents of eligible students, no later than 30 calendar days after the school receives the funds.

Sometimes the school receives the loan funds at a point when the student is temporarily not eligible for payment. For instance, a student may need to complete the clock hours or credit hours he or she was supposed to complete in the previous academic year (for an academic program without terms). A school has an additional 10 business days to pay the borrower if the student is ineligible for payment within the normal disbursement period (as described above) but is expected to become eligible for payment within the additional 10 business days. This means that the school can wait 13 days after receipt of the EFT or master check (40 days for a check requiring endorsement) to pay a student who is expected to regain eligibility during this 10-day window.

Time-Frame for Returning Undisbursed FFEL Funds

For FFEL Program funds that a school does not disburse by the end of the initial or conditional period, as applicable, the school must return those funds to the lender promptly but no later than 10 business days from the last day allowed for disbursement. However, if a student becomes eligible to receive FFEL Program funds during the return period, the school may disburse those funds provided that the disbursement is made on or before the last day of the return period.

Proration of Loan Fees for Returned FFEL Funds

If a school returns an FFEL disbursement or any portion of an FFEL disbursement to a lender, the origination fee and insurance premium are

Laws & Regulations

- 34 CFR 668.164(e)

reduced in proportion to the amount returned. If a student returns an FFEL disbursement or any portion of an FFEL disbursement to the lender, the origination fee and insurance premium are reduced in proportion to the amount returned only if the lender receives the returned amount within 120 days after disbursement.

Student Financial Aid Credit Balances

Whenever a school credits FFEL Program funds to a student's account, and those funds exceed the student's allowable charges, an FFEL credit balance occurs. A school must pay the excess funds (the credit balance) directly to the student as soon as possible, but:

- no later than 14 days after the date the balance occurred on the student's account, if the balance occurred after the first day of class of an academic year *or*
- no later than 14 days after the first day of classes of the period of enrollment if the credit balance occurred on or before the first day of class of that payment period.

An FFEL credit balance occurs only if the total amount of FFEL Program funds exceeds the allowable charges.

The law requires that any excess Federal PLUS Loan funds be returned to the parent. Therefore, if a school determines that PLUS Loan funds created a credit balance, the credit balance would have to be given to the parent.

ED does not address the treatment of credit balances that are created by non-FFEL Program funds. However, under the return of funds requirements, when a student withdraws, an FFEL credit balance must be eliminated before a calculation of the amount, if any, owing to the FFEL Program is computed.

A school is permitted to hold a credit balance if the school obtains a voluntary authorization from the student or parent. If the school receives authorization to hold excess funds, it must identify the student or parent and the amount of funds held for the student or parent in a subsidiary ledger account designated for that purpose.

Note that a school must maintain, at all times, cash in its bank account at least equal to the amount the school holds for students. Because FFEL Program funds are awarded to students to pay current year charges, the school must pay any remaining credit balance by the end of the loan period.

If a school cannot locate a student who has an FFEL credit balance (the school has exhausted all possible avenues to find the student), the school must return the credit balance to ED.

The school is permitted to retain any interest earned on the student's credit balance funds. ED may prohibit a school that has been placed on

reimbursement from holding excess funds. If ED determines that the school has failed to meet the financial responsibility standards, a limitation may be placed on the school, preventing it from holding excess funds for any student.

Prior-Year Charges

Laws & Regulations

- 34 CFR 668.164(d)

In general, FFEL Program funds can be used to pay only educational expenses a student incurs in the period for which those funds are provided. However, a school is permitted to use a student's FFEL Program funds to pay minor prior-year institutional charges if the student has, or will have, an FFEL credit balance and the school obtains the student's or parent's authorization to pay the prior-year charges.

A school may obtain authorization from a student in advance to use FFEL Program funds to cover prior-year charges that are less than $100. To pay prior-year charges for amounts equal to or greater than $100, in addition to obtaining authorization, a school must determine that payment would not prevent the student from paying for his or her current educational expenses.

Notifications Schools Send to Borrowers

Laws & Regulations

- 34 CFR 668.165

Before a school certifies FFEL Program funds for any award year, the school must notify a student of the amount of FFEL Program funds the student and his or her parent can expect to receive, and how and when the funds will be disbursed. The notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.

Take a Look

- See Appendix F for a sample notification of loan disbursement.

A school must provide the best information it has regarding the amount of FFEL Program funds a student can expect to receive. Because the actual loan disbursements received by a student may differ slightly from the amount expected by the school (due to loan fees and rounding differences), a school may include the gross amount of the loan disbursement or a close approximation of the net disbursement amount.

Opportunity for Loan Cancellation

Because incurring a loan obligation is a serious responsibility, a borrower must be given the opportunity to cancel the loan at or close to the time the funds are actually disbursed. Notification by the school of when a loan disbursement occurs is required to remind borrowers of their loan obligation and to give students the opportunity to replace credited loan proceeds with other funds (except when loans are disbursed directly by a lender or school to a student). Therefore, the school must notify a student or parent in writing or electronically whenever the school credits the student's account with FFEL Program funds. The notification must include:

- the date and amount of the disbursement;

- the right of the student or parent borrower to cancel all or a portion of the loan (applicable only if the school received the loan funds from a lender through EFT payment or master check); *and*

- the procedures and the time frame that the student or parent borrower must notify the school that he or she wishes to cancel the loan or a portion of the loan.

A school is not required to provide notification if the school disburses an FFEL Program loan directly to the student or parent by check. This is because a student or parent who receives an FFEL disbursement by check has the opportunity to refuse the funds by not endorsing the check or by returning the check.

This notification of crediting a student's account with loan funds must be sent no earlier than 30 days before and no later than 30 days after crediting the student's account. If a school notifies a borrower electronically, it must request that the borrower confirm receipt of the notice, and the school must maintain a copy of the confirmation. For example, if a school notifies a borrower through electronic mail, the school must request a "return receipt" message and keep a copy of the receipt on file.

A school may not use an in-person or telephone conversation as the sole means of notification. In-person and telephone conversations are not adequate and verifiable methods of providing notice. However, notification to borrowers in person or by telephone may be done in addition to providing written or electronic notice.

Once the school has provided notification, if the student or parent wants to cancel all or a portion of a loan, he or she must inform the school. The school must honor the request if the request is received no later than:

- 14 days after the date the school sends the notice *or*

- the first day of the loan period, if the school sends the notice more than 14 days before the first day of the loan period.

If a student's or parent's request for cancellation is received within the specified time period, the school must return the loan proceeds and cancel the loan as appropriate. If a student's or parent's request for cancellation is received after the specified time period, the school may, but is not required to, honor the request. Regardless of when the request is received, the school must inform the student or parent, in writing or electronically, of the outcome of the request.

A school is not responsible for returning a portion of a loan that was disbursed to a student or parent directly before the request for cancellation was received. However, a school is encouraged to take an active role in advising the borrower to return the portion of funds already received.

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Laws & Regulations

- 34 CFR 668.165(b)

Student/Parent Authorizations

A school must obtain authorization from a student (or parent borrower) before:

- disbursing FFEL Program funds by EFT to a bank account designated by the student or parent;
- using FFEL Program funds to pay for allowable charges other than tuition, fees, and room and board (if the student contracts with the school);
- holding excess FFEL Program funds (credit balances); *and*
- applying FFEL Program funds to prior-year charges.

In obtaining an authorization from a student or parent, a school may not require or coerce the authorization and must notify the student or parent that he or she may cancel or modify the authorization at any time. Once a student or parent cancels or modifies his or her authorization, the school may not perform the function, or must perform the function as modified, from that date forward.

A cancellation or modification is not retroactive. If a student or parent cancels an authorization to use FFEL Program funds to pay for allowable charges other than tuition, fees, and room and board (if the student contracts with the school), or prior-year charges, the school may use FFEL Program funds to pay any authorized charges incurred by the student before the notice was received by the school. If a student or parent cancels an authorization to hold excess funds, the funds must be paid directly to the student or parent as soon as possible, but no later than 14 days after the school receives the notice.

A school may include two or more of the items that require authorization on one statement. However, a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

Any authorization must clearly explain how the school will carry out an activity. It does not need to detail every aspect pertaining to the activity. However, a blanket authorization that only identifies the activities to be performed is not acceptable. For example, an authorization permitting a school to use excess FFEL Program funds must provide detail that is sufficient to give a general idea of what the excess funds would be used to pay. A blanket statement that excess funds would cover any charges is not acceptable.

Unless otherwise specified, a student or parent may authorize a school to carry out the activities for which authorization is provided for the entire

period the student is enrolled at the school. As mentioned above, a student or parent may cancel or modify an authorization at any time.

Return of Title IV Funds

The Higher Education Amendments of 1998 changed the refund and repayment provisions for Title IV programs. The law renamed the process "treatment of Title IV funds when a student withdraws"; it is also known as "the return of Title IV funds." The amendments also revised how to calculate both the earned and unearned amount of Title IV funds when a student does not complete a period of enrollment or payment period.

A calculation to determine earned and unearned amounts of aid must be made for each eligible student who withdraws. See Chapter 5 of this handbook for more information.

Take a Look

- See Chapter 5 for more information on return of Title IV funds.

Consumer Information

A foreign school is required to make certain information available about itself to students, ED, and others. 34 CFR Subpart D lists the basic information a school must make available to enrolled and prospective students. A school is also required to provide each year to enrolled students a list of the information it must disclose and the procedures for obtaining the information. The school must prepare these materials, unless the data are available in the form of brochures and handouts that are routinely given out by the school or in federal publications such as *The Student Guide*.

Laws & Regulations

- 34CFR 668.43
- 34CFR 668.45

The following minimum information must be provided about the school:

- the names of associations, agencies, and/or governmental bodies that accredit, approve, or license the school and its programs;
- the procedures by which a student may receive a copy for review of the school's accreditation, licensure, or approval;
- special facilities and services available to disabled students;
- the costs of attending the school (tuition and fees, books and supplies, room and board, and estimated transportation costs, such as commuting) and any additional costs of the program in which the student is enrolled or has expressed a specific interest;
- a statement of the requirements for the return of FFEL Program funds when a student withdraws from school;
- information about any refund policy with which the school must comply;
- the requirements for officially withdrawing from the school;

- the degree programs, training, and other education offered;
- the instructional, laboratory, and other physical plant facilities associated with the academic programs;
- a list of the faculty and other instructional personnel;
- the satisfactory progress standards that students must maintain;
- whom to contact for information on student financial assistance and on general institutional issues; *and*
- the school's campus security report.

The school must have someone available during normal operating hours to provide consumer information. One full-time employee or several persons may be assigned so that someone is always available (with reasonable notice) to assist enrolled or prospective students and their families. Existing personnel may satisfy this requirement. A school may request a waiver of the full-time availability requirement if it can demonstrate that a waiver is appropriate. A school should contact ED's Case Management and Oversight for more information.

The following minimum information must be provided regarding student financial aid at the school and other topics:

- what need-based and non-need-based U.S. financial aid is available to students;
- what other need-based and non-need-based public, school, and private aid programs are available;
- how students apply for aid and how eligibility is determined;
- the rights and responsibilities of students receiving aid;
- how and when financial aid will be calculated and disbursed;
- the terms of, schedules for, and necessity of loan repayment and required loan exit counseling;
- the criteria for measuring satisfactory academic progress;
- how a student who has failed to maintain satisfactory academic progress may reestablish eligibility for U.S. financial aid;
- information on preventing drug and alcohol abuse; *and*

- the terms and conditions under which students receiving U.S. education loans may obtain deferments while serving:
  - in the Peace Corps;
  - under the Domestic Volunteer Service Act; *and*
  - as a volunteer for a tax-exempt organization of demonstrated effectiveness in the field of community service.

Student Right-to-Know Act

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

The Student Right-to-Know (SRK) Act requires schools to disclose the completion or graduation rates and, if applicable, transfer-out rates for a specific cohort of the general student body. For nonterm schools the cohort year is September 1 through August 31. For other schools the cohort is the number of first-time, credential-seeking, full-time undergraduate students who enter the school in the fall term. The information must be disclosed on request to current and prospective students. SRK Act disclosures are made by July 1 of each year.

In addition to calculating the completion or graduation rates described within this section, a school may, but is not required to, calculate:

- a completion or graduation rate for students who transfer into the school;
- a completion or graduation rate and transfer-out rate for the students described as "exceptions" to the requirements in this section, including students who:
  - have left school to serve in the U.S. Armed Forces;
  - have left school to serve on official church missions;
  - have left school to serve with a foreign aid service of the U.S. government, such as the Peace Corps;
  - are totally and permanently disabled; or
  - are deceased; *and*
- a transfer-out rate, if the school determines its mission does not include providing substantial preparation for its students to enroll in another eligible school.

A school is required to calculate and disclose its transfer-out rates if it determines that its mission includes preparing students to enroll in other institutions (such as a community college).

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All rates involve certificate- or degree-seeking, full-time undergraduate students.

Determining the Cohort for Completion or Graduation and Transfer-Out Rates

To calculate completion or graduation and transfer-out rates, a school must identify a group of students each year (a cohort) and monitor the cohort over time to determine the percentage of those students who complete their programs or transfer out of the school. The regulations specify which cohort a school must use, based on the programs that the school offers. Schools should include in the cohort only students who are enrolled for at least 30 days.

Standard Term Schools

A school that offers most of its programs based on standard terms (semesters, trimesters, quarters) must use a fall cohort of first-time undergraduates for these calculations. That is, the school must count all first-time freshmen who are certificate- or degree-seeking, full-time undergraduate students who enter the school during the fall term. For a fall cohort, a student has entered the school if he or she enrolled for the fall term (or during the summer immediately preceding the fall term) and is still enrolled as of October 15, as of the end of the school's add-drop period for the fall term, or as of another official reporting date (in the fall) on which a school must report fall enrollment data to its board of trustees or governing board or some other external governing body.

Nonstandard Term or Nonterm Schools

A school that does not offer most of its programs based on standard terms must count all first-time students who are certificate- or degree-seeking, full-time undergraduate students who enter the school between September 1 and August 31. For a cohort for nonstandard term and nonterm schools, a student has entered the school if he or she has attended at least 30 days.

Schools may not include students who transfer into the school from another school as entering students for purposes of these calculations. However, a school may calculate a completion rate for students who transfer into the school as a separate, supplemental rate.

Waivers

ED will continue to work with interested agencies to help them develop standards that meet the requirements. If in the future ED determines that another agency's requirements meet the standards of the SRK Act, it will inform schools that those rates may be used to satisfy the SRK Act requirements.

Reporting Information on Completion or Graduation Rates for the General Student Body Cohort

Laws & Regulations

- 34 CFR 668.45

The requirements for disclosing this information have been broken down into three steps: determining the cohort, calculating the rates, and disclosing the rates.

Step 1 - Determining the cohort

A school must determine the cohort to identify students in such a way that it can take a snapshot of those same students at a later time.

Step 2 - Calculating the rates

Once a school has identified a cohort, it must determine how many of those students completed their program and, if applicable, how many transferred out of their program at the point in time that 150 percent of the normal time for completion of each program has elapsed for all of the students in the cohort.

A school may exclude from the cohort students who:

- have left school to serve in the U.S. Armed Forces;
- have left school to serve on official church missions;
- have left school to serve with a foreign aid service of the U.S. government, such as the Peace Corps;
- have become totally and permanently disabled; *or*
- are deceased.

Step 3 - Disclosing the rates

The information on completion, graduation rates, and, if applicable, transfer-out rates must be disclosed by July 1 immediately following the expiration of 150 percent of normal time for the group of students on which the school bases its completion and transfer-out rate calculation.

Schools must disseminate the information about completion or graduation and, if applicable, transfer-out rates to enrolled and prospective students upon request, through appropriate publications, mailings, or electronic media (for example, school catalogs or admissions literature). Schools are strongly encouraged to provide this information to other interested parties, such as guidance counselors, upon request.

Campus Security Act

Laws & Regulations

- 34 CFR 668.46

ED is committed to assisting all schools in providing students with a safe environment in which to learn and to keep parents and students well informed about campus security.

Web Sites:

- www.ojp.usdoj.gov/vawo
- www.ed.gov/offices/OPE/PPI/security.html
- www.edc.org/hec/

Laws & Regulations

- Campus Security Act of 1990

The following Web sites contain suggestions that foreign schools can use in developing and implementing a comprehensive campus security policy:

- Department of Justice's Violence Against Women Office: www.ojp.usdoj.gov/vawo
- The ED Web site on campus safety: www.ed.gov/offices/OPE/PPI/security.html
- Higher Education Center for Alcohol and Other Drug Prevention: www.edc.org/hec/.

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (formerly the Campus Security Act of 1990) requires a school to compile an annual campus security report. For prospective students and prospective employees the school must provide a notice, upon request, that includes:

- a statement of the report's availability;
- a brief description of the report's contents; *and*
- an opportunity to request a copy of the report.

If the school chooses to fulfill this requirement by posting the crime report on an Internet or Intranet Web site, the notice described above must also contain:

- the exact Internet or Intranet address at which the report is posted *and*
- a statement that the school will provide a paper copy of the report upon request.

A school must provide its annual campus security report, upon request, to a prospective student or prospective employee.

In addition to the required annual campus security report, schools are required to provide timely warning to the campus community of any occurrences of crimes that are reported to campus security authorities or local police agencies and are considered to represent a continuing threat to students and/or employees. A school is not required to provide timely warning with respect to crimes reported to a pastoral or professional counselor. A school must also include statistical and policy information related to these same crimes in its campus security report.

These crimes include:

- criminal homicide/murder;
- negligent and nonnegligent manslaughter;
- forcible and nonforcible sex offenses;
- robbery;
- aggravated assault;
- burglary;
- motor vehicle theft;
- arson;
- any other crime involving bodily injury reported to local police agencies or to a campus security authority that shows evidence of prejudice based on race, gender, religion, sexual orientation, ethnicity, or disability; *and*
- arrests for, and persons referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.

Loan Counseling

Before an FFEL loan borrower takes out a loan and again before he or she leaves school, the school must counsel that borrower, individually or in a group with other borrowers, regarding loan repayment. For a complete discussion of loan counseling requirements, see Chapter 4.

Misrepresentation

The regulations permit ED to fine a school, or limit, suspend, or terminate the participation of any school that substantially misrepresents the nature of its educational program, its financial charges, or the employability of its graduates.

Laws & Regulations

- 34 CFR 668.72 to 668.74

Misrepresentation is any false, erroneous, or misleading statement made to a student or prospective student, to the family of an enrolled or prospective student, or to ED. This includes disseminating testimonials and endorsements given under duress.

Misrepresentation by an institution of the nature of its educational program includes, but is not limited to, false, erroneous, or misleading statements concerning:

- the particular type(s), specific source(s), nature, and extent of its accreditation;
- whether a student may transfer course credits earned at the institution to any other institution;
- whether successful completion of a course qualifies a student for acceptance into a labor union or similar organization or the receipt of a local, state, or U.S. license or a nongovernment certification required as a precondition for employment or to perform certain functions;
- whether its courses are recommended by vocational counselors, high schools, or employment agencies or by governmental officials for government employment;
- its size, location, facilities, or equipment;
- the availability, frequency, and appropriateness of its courses and programs to the employment objectives that it states the programs are designed to meet;
- the nature, age, and availability of its training devices or equipment and their appropriateness to the employment objectives that it states the programs and courses are designed to meet;
- the number, availability, and qualifications, including the training and experience, of its faculty and other personnel;
- the availability of part-time employment or other forms of financial assistance;
- the nature and availability of any tutorial or specialized instruction, guidance and counseling, or other supplementary assistance the school provides its students before, during, or after the completion of a course;
- the nature and extent of any prerequisites established for enrollment in any course; *or*
- any matters required to be disclosed to prospective students under 34 CFR 668.44 (institutional information) and 34 CFR 668.46 (campus security information).

Misrepresentation by an institution about the nature of its financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning:

Laws & Regulations

- 34 CFR 668.73

- offers of scholarships to pay all or part of a course charge, unless a scholarship is actually used to reduce tuition charges that are applied to all students not receiving a scholarship and are made known to the student in advance *or*

- whether a particular charge is the customary charge at the institution for a course.

Misrepresentation by an institution regarding the employability of its graduates includes, but is not limited to, false, erroneous, or misleading statements that:

Laws & Regulations

- 34 CFR 668.74

- the school is connected with any organization or is an employment agency or other agency that provides authorized training leading directly to employment;

- the school maintains a placement service for graduates or will otherwise secure or assist its graduates in obtaining employment, unless it provides the student with a clear and accurate description of the extent and nature of this service or assistance; *or*

- concern government job market statistics in relation to the potential placement of its graduates.

Disclosing Student Information

Laws & Regulations

- 34 CFR 99

To protect the privacy of students and families, U.S. law sets conditions on the disclosure of personal information from records that are kept by schools that participate in the FFEL Program. This law is the Family Educational Rights and Privacy Act of 1974 (FERPA).

ED regulations set limits on the disclosure of personally identifiable information from school records, define the responsibilities of the school, and define the rights of the student in reviewing his or her record and requesting a change to the records. A school must give the student the opportunity to inspect and review his or her education records, but it does not have to provide copies of the records unless the requirement that the student come to the school to inspect and review the records would effectively deny access to the student.

While the school may not charge a fee for retrieving the records, it may charge a reasonable fee for providing copies of records, provided that the fee would not prevent access to the records.

Under FERPA, a school is required to:

- develop a written policy stating the procedures for parents and students to review the records;

- notify parents and students of their rights to request a review of education records; *and*
- document each time personally identifiable information is disclosed to persons other than the student.

A student has the right to:

- inspect and review education records pertaining to the student;
- request an amendment to the student's record, if necessary; *and*
- request a hearing to challenge the contents of the education record on the grounds that the records are inaccurate, misleading, or violate the rights of the student (if the request for an amendment is denied).

The term *education record* does not include records that are kept in the sole possession of the maker of the record. Records that contain information taken directly from a student or that are used to make decisions about the student are not sole-possession records. Sole-possession records are:

- used as a memory or reference tool *and*
- not accessible or revealed to any other person except a temporary substitute for the maker of the record.

FERPA regulations established rules governing the disclosure of student information to parties other than the student. The regulations list conditions under which "personally identifiable information" from a student's education record may be disclosed without the student's prior written consent. Several of these conditions are of particular interest to the financial aid office. They include:

- Disclosure may be made to authorized representatives of ED, the OIG, or state and local education authorities. These officials may access education records as a part of an audit or program review or to ensure compliance with FFEL Program requirements. (Representatives of ED include research firms that are under contract with ED to conduct studies of financial aid procedures using student information provided by the schools selected for the study. They also include lenders and guaranty agencies.)
- Disclosure may be made in connection with financial aid that the student has received or applied for. For instance, the school may receive a request from the U.S. Immigration and Naturalization Service or the U.S. Federal Bureau of Investigation for access to a student's records. (Such a request may only be granted if the student information is needed to determine the amount of

the aid, the conditions for the aid, the student's eligibility for the aid, or to enforce the terms or conditions of the aid.)

- Disclosure may be made to either parent of a dependent student (regardless of which parent claims the student as a dependent) if the student is a dependent as defined by the U.S. Internal Revenue Service (IRS). For IRS purposes, a student is a dependent of the parent(s) if the student receives more than half of his or her support from the parent(s).

- Disclosure may be made to organizations that are conducting studies concerning the administration of student aid programs on behalf of educational agencies or institutions.

Schools are required to keep a record of each request for access and each disclosure of personally identifiable student information. The record must identify the parties who requested the information and their legitimate interest in the information. This record must be maintained in the student's file as long as the education records themselves are kept.

If student records are requested by ED reviewers in the course of a program review, for instance, the school must document in each student's file that the student's records were disclosed to representatives of ED.

When student information has been disclosed to one of the parties listed above, that party may redisclose that information to additional parties who are authorized to receive the information without prior written consent, provided that such redisclosure is included in the statement in the student's file. For instance, if a program review finds evidence that a student may have fraudulently obtained aid, this information may be redisclosed to ED's OIG by the regional office. The OIG would not have to make a separate request to the school for the same information.

When redisclosure is anticipated, the additional parties to whom the information will be disclosed must be included in the record of the original disclosure.

If a foreign school would like a copy of ED's model FERPA policy for postsecondary schools, it may request a copy at the following address:

Family Policy and Compliance Office
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202-4605

The policy is also available at www.ed.gov/offices/OM/fpco/psi1.html.

Agreements Between Schools

Two or more institutions may enter into a consortium or contractual agreement to assist students who receive FFEL Program funds while studying at a school or organization other than their home school. The "home school" is the one that will grant a student's degree or certificate.

Consortium Agreements

A consortium agreement can only exist between eligible schools. Under such a written agreement, a student may take courses at a school other than the home institution (the school where the student expects to receive a degree or certificate) and have those courses count toward the degree or certificate at the home school without jeopardizing the student's eligibility for FFEL loans.

Elements of a Consortium Agreement

There is no limit on the portion of the eligible program that may be provided by eligible schools other than the home school. Agreement contents can vary widely and will depend upon the interests of the schools involved and government standards.

ED does not dictate the format of the agreement or where the agreement is kept. However, certain information should be included in all agreements, such as which school will grant the degree or certificate; what the student's tuition, fees, and room and board costs are at each school; and what the student's enrollment status will be at each school.

The agreement should specify:

- which school, if either, will be responsible for disbursing aid;
- which school will be responsible for monitoring student eligibility;
- the procedures for calculating awards and disbursing aid;
- which school will monitor satisfactory progress and other student eligibility requirements; *and*
- which school will keep records and distribute FFEL refunds.

Usually, the home school is responsible for disbursements, but if the student is enrolled for a full term or academic year at the host institution, it may be easier for the host institution to monitor the student's eligibility and make payments. The school paying the student must return FFEL Program funds if the student is not entitled to them.

The agreement becomes effective for the academic period in which it is signed. Thus, if an agreement is signed in the middle of the spring semester, the student can be paid for the entire academic year, including the preceding fall semester.

Contractual Agreements

A contractual agreement is a contract between eligible and ineligible schools or organizations. Under such an agreement, the ineligible school or organization provides, under written contract, a portion of the eligible school's educational program. An eligible school may not contract with an ineligible school that has been terminated from FFEL Program participation or has withdrawn from FFEL Program participation while under a termination, show-cause, suspension, or similar proceeding by a country licensing agency, accrediting agency, guaranty agency, or ED.

There is a limit on the portion of the program that can be given at the ineligible school. The ineligible school can provide no more than 25 percent of the educational program.

Under a contractual agreement, the eligible school is always the home school. The home school performs all the aid processing and delivery functions for its students attending the ineligible school. The home school is responsible for maintaining all records necessary to document student eligibility and receipt of aid.

Record Maintenance and Retention

A school participating in the FFEL Program collects and generates a significant volume of program-related and student-related information on a yearly basis. U.S. regulations specify which of these records must be maintained and the period of time that they must be retained. These record maintenance and retention requirements are schoolwide, and they include fiscal, financial aid, and general institutional records.

The importance of maintaining complete and consistent records cannot be overemphasized. These records are used to document a school's administrative capability and financial responsibility, and they are crucial in maintaining eligibility to participate in the FFEL Program. As such, schools must make student financial aid program and general records available to auditors and representatives of ED at their request. Records that are poorly maintained or that are not readily available for review can lead to findings, exceptions, and liabilities in the course of an audit or program review. This section describes applicable record-keeping requirements.

General Student Records

Schools must establish, maintain, and keep current certain records pertaining to FFEL Program loan recipients. For each student receiving FFEL funds, a school must keep records of:

- the student's admission and enrollment status at the institution;
- the program of study and the courses in which the student is enrolled;

- the student's academic progress;
- all financial aid the student receives at the institution;
- the student's prior receipt of financial aid at other institutions, if applicable;
- all return of FFEL funds due or paid to the student, Title IV programs, or FFEL Program lenders; *and*
- the student's job placement (if the school provides a placement service and the student uses that service).

General Institutional Records

Schools must maintain all records that relate generally to a school's eligibility to participate in the FFEL Program. Examples include:

- the institution's PPA, approval letter, and ECAR sent from ED;
- licensing agency reviews, approvals, and reports;
- audit and program review reports;
- the institution's eligibility to participate in the FFEL Program;
- records of the eligibility of the school's educational programs for FFEL funds;
- records of the school's administration of the FFEL Program according to all applicable requirements;
- records of the school's financial responsibility;
- records of the eligibility of any additional location that offers at least 50 percent of the program and offers FFEL funds; *and*
- records of its admission and satisfactory academic progress policy.

General Fiscal Records

A school must keep consistent and accurate records of its use of FFEL Program funds. Program and fiscal records must show a clear (easily followed) audit trail for expenditures of U.S. government funds. Similarly, these records must clearly show that funds were obtained, managed, disbursed, and returned according to U.S. regulations. Fiscal records that must be maintained include:

- records of all FFEL Program transactions; '78
- bank statements for accounts containing FFEL funds;

- student school accounts, including (for each enrollment period) institutional charges, cash payments, FFEL payments, cash disbursements, and return of FFEL funds;
- general ledger (control accounts) and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions; *and*
- records that support data that appear on required reports.

Financial Aid Application and Award Records

Schools are required to keep extensive records involving student applications for financial aid and financial aid awards. Required records include:

- student applications data for financial aid and need analysis documents for all eligible aid applicants who attended the school;
- documents establishing a student's financial need and borrower and student eligibility for FFEL Program funds, including the SAR;
- financial aid awards made to and accepted or declined by students;
- cost of attendance information for individual students;
- data used to establish a student's full-time or part-time enrollment status and period(s) of enrollment; *and*
- required student certification statements and any documents used to support or verify those certifications.

Schools should, but are not required to, keep copies of any software used to calculate and help determine a student's eligibility for FFEL aid. If a non-ED software package is needed to access and review records that a school maintains on its students, the school must maintain a copy of that software.

Reporting Records

Schools must maintain reports or copies of reports submitted or received in connection with administering the FFEL Program, including:

- federal and independent audit reports and school responses *and*
- licensing agency reports, if required.

In addition, schools must maintain records that support the data that appear on all required reports.

FFEL Program Records

For the FFEL Program, additional records a school must maintain include, but are not limited to:

- the name of the borrower and a copy of the loan application and, in the case of a Federal PLUS Loan, the name of the student on whose behalf the Federal PLUS Loan was made;
- a copy of the loan certification or data electronically submitted to the lender that includes the amount of the loan and the loan period for which the loan was intended;
- the calculation used to determine the loan amount;
- the data used to construct an individual student's budget or the school's itemized standard budget used to calculate students' estimated costs of attendance;
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period;
- the amount of the student's tuition and fees paid for the loan period and the date the student paid the tuition and fees;
- the amount, calculation, and date of calculation of any return of FFEL funds paid to or on behalf of a student;
- the data used to determine the student's EFC and the corresponding certification by the school to the lender for a subsidized Federal Stafford Loan for which the borrower receives an interest subsidy;
- if applicable, the date of each disbursement of the loan to the school and the amount of that disbursement;
- if applicable, the date the school endorsed each loan check;
- if applicable, the date(s) and amounts of loan proceeds delivered by the school to the student;
- if applicable, a copy of the letter from the lender that includes the date(s) and amounts of loan proceeds delivered directly to the borrower;
- a copy of the student's (or parent's, for a Federal PLUS Loan) written authorization for initial and subsequent disbursements of

loans delivered by EFT or master check for which the school has no authorization on the loan application;

- documentation of any master promissory note confirmation process or processes the school may have used;
- documentation that the student received entrance and exit loan counseling; *and*
- litigation records (if litigation occurred).

In addition, schools must maintain any other records that document their compliance with any applicable loan-related requirements.

Record Retention Requirements

Laws & Regulations

- 34 CFR 668.24(e)
- 34 CFR 668.610

Schools must retain all required records for a minimum of three years. A school must keep records related to the FFEL Program, including any reports or forms, for three years after the end of the award year that the records are submitted. Records related to a borrower's eligibility and receipt of FFEL loans must be kept for three years from the end of the award year the student last attended the school.

Loan records, claim records, and records of expenditures questioned as a result of a program audit, program review, investigation, or other review must be kept until the later of the resolution of the questioned loan, claim, or expenditure or the end of the retention period applicable to that record.

Record Maintenance

Laws & Regulations

- 34 CFR 668.24(d)

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in hard copy, microform, computer file, optical disk, CD-ROM, or other media form.

Regardless of the format used to keep a record, all records must be retrievable in a coherent hard-copy format.

- A coherent hard-copy format could be, for example, an easily understandable print out of a computer file.
- Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard-copy format or in an imaged-media format.
- A school may maintain a record in an imaged-media format only if the format is capable of reproducing an accurate, legible, and complete copy of the original document. When printed, the copy must be approximately the same size as the original document.

Special Requirements

Laws & Regulations

- 34 CFR 668.24(d)(3)(ii)

Special maintenance and availability requirements apply to SARs. It is essential that these basic eligibility records be available in a consistent, comprehensive, and verifiable format for program

review and audit purposes. The SAR must be available in its original, hard-copy format or in an imaged-media format.

Examining Records

Schools must make their records available to ED at an institutional location that ED designates. These records must be readily available for review, including any records of transactions between a school and the financial institution where the school deposits its FFEL Program funds.

Laws & Regulations

- 34 CFR 668.24(f)

A school and its third-party servicer must cooperate with the agencies or individuals conducting audits, program reviews, investigations, or other reviews authorized by law. This cooperation must be extended to the following individuals and their authorized representatives:

- independent auditors;
- the U.S. Secretary of Education;
- ED's OIG;
- the Comptroller General of the United States; *and*
- any guaranty agency in whose program the school participates.

In the review process, a school or its third-party servicer must cooperate by providing timely access to requested records, pertinent books, documents, papers, or computer programs for examination and copying.

A school or its third-party servicer must also provide reasonable access to all personnel associated with the school's or servicer's administration of U.S. student financial aid programs so that any of the agents listed above may obtain relevant information. A school or its third-party servicer has not provided reasonable access if it:

- refuses to allow its personnel to supply all relevant information;
- permits interviews with those personnel only if the school's or servicer's management is present; *or*
- permits interviews with those personnel only if the interviews are tape recorded by the school or servicer.

If ED requests it, a school or its third-party servicer must promptly provide any information about the last known address, full name, telephone number, enrollment information, employer, and employer address of FFEL Program loan recipients who attend or attended the school.

A school must also provide this information, on request, to a lender or guaranty agency in the case of an FFEL Program borrower.

A school must still maintain required records if it:

- stops providing educational programs;
- is terminated or suspended from participating in the FFEL Program;
- undergoes a change of ownership that results in a change in control; *or*
- closes.

These records must be accessible for inspection and copying by the U.S. Secretary of Education or the Secretary's authorized representative *and* the appropriate guaranty agency (if applicable).

Program Integrity

One of ED's functions is to oversee the U.S. student financial aid programs to ensure they are administered properly. Audits and program reviews are conducted periodically to ensure the program integrity of schools that participate in these programs.

If it is found in a program review or audit that a school has disbursed FFEL Program funds improperly, the school must restore the funds as appropriate.

Program reviews and audits are not conducted solely to recover funds, but also to identify procedural problems at the school and to recommend solutions. A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as the school's compliance with the specific program requirements for student eligibility and awards. However, program reviews tend to focus more on regulatory requirements that are specific to the FFEL Programs.

If a school is cited for fraud or other serious program abuses in a program review or audit, the school may be subject to corrective action and/or sanctions, such as fines, emergency action, limitation, suspension, or termination.

Laws & Regulations

- 34 CFR 668.23(a)(3)

Independent Audits

U.S. law requires that a foreign school participating in the FFEL Program must have an independent audit conducted at least once a year: a "compliance

audit," which is an audit of a school's compliance with the laws and regulations that are applicable to the FFEL Program, and a "financial statements audit," which is an audit of the school's financial statements.

While a compliance audit covers the school's administration of the FFEL Programs, a financial statements audit provides ED with the information necessary to evaluate a school's financial responsibility.

A foreign school can meet these audit requirements by having an audit performed under the guidelines of ED's audit guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers (SFA Audit Guide)*.

Reference

- *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*

A school must simultaneously submit both the compliance audit and the audited financial statements within six months of the end of the school's fiscal year. Both the compliance audit and the financial statements audit must be performed on a fiscal year basis. In addition, both audits must be prepared in accordance with GAGAS. The compliance audit and financial statements audit may be performed by different auditors. However, both audits must be submitted as one package.

The definition of an independent auditor makes clear that the compliance and financial statements audits submitted under these regulations must be performed by independent accountants.

A school's first audit must cover the entire period of time since the school began to participate in the FFEL Program. Each subsequent audit must cover the period since the preceding audit that was accepted by ED.

Compliance Audit Submission Requirements

The compliance audit must be conducted in accordance with:

- the general standards and the standards for compliance audits contained in the U.S. General Accounting Office's (GAO's) Government Auditing Standards *and*
- applicable audit guides from ED's OIG.

Web Site

- www.ed.gov/offices/OIG/nonfed/sfa.htm

In conducting an audit, a school or servicer and its auditor should use ED's latest *SFA Audit Guide* and *The Blue Book*, the accounting and recordkeeping manual for the U.S. federal student financial aid programs. The *SFA Audit Guide* is available at www.ed.gov/offices/OIG/nonfed/sfa.htm. An audit guide specifically for foreign schools will be available on this site when it is published.

The auditor or auditing firm the school or servicer uses for its required nonfederal audit may be the same one that usually audits the school's or servicer's fiscal transactions.

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To produce unbiased conclusions, the auditor must be independent of those authorizing the expenditure of FFEL Program funds.

ED may require a school to provide a copy of its compliance audit report to guaranty agencies, lenders, or accrediting agencies.

Financial Statements Audit Submission Requirements

A school's audited financial statements must cover the school's most recently completed fiscal year. ED uses the information in a school's audited financial statements to evaluate the school's financial responsibility. In addition to a school's audited financial statements, ED may require that the school submit additional information. For example, ED may require a school to submit or provide access to the accountant's work papers. Also, if ED finds it necessary to evaluate a particular school's financial condition, it can require a school to submit audited financial statements more frequently than once a year.

Since financial responsibility requirements vary for foreign schools based on the amount of FFEL Program funds received by the school, the equirements for preparation of the financial statements also vary.

Laws & Regulations

- 34 CFR 668.23(d)(3)

- A foreign school that received less than $500,000 (U.S. dollars) in FFEL Program funds during its most recently completed fiscal year may have its audited financial statements prepared according to the standards of the school's home country.

- A foreign school that received $500,000 or more in FFEL Program funds during its most recently completed fiscal year must have its audited financial statements translated and presented for analysis under U.S. GAAP and GAGAS.

Reference

- GAO Yellow Book

A table listing the elements of an audited financial statement in several foreign countries is listed in Chapter 5. Schools may go to the GAO Web site at http://www.gao.gov to access the government auditing standards, called *The Yellow Book*.

Web Site

- www.gao.gov

Third-Party Servicer Audit Requirements

A third-party servicer must submit an annual compliance audit. However, if a servicer contracts with only one school, and that school's own audit sufficiently covers all the functions performed by the servicer, the servicer does not have to submit a compliance audit. If a servicer contracts with several schools, a single compliance audit can be performed that covers all of its administrative services for each school.

Reference

- *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*

Guidance for audits of third-party servicers is found in the January 2000 edition of ED's audit guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A school may not use a third-party servicer's audit in place of its own required audit, because the

Laws & Regulations

- 34 CFR 668.23(a)(3) & (c)

school is ultimately liable for its own violations as well as those of its third-party servicers. Any reimbursement of the third-party servicer to the school is strictly a matter of private contract between the servicer and the school and does not involve ED in any way.

Submitting the Audit Performed

The school or servicer must submit four copies of the combined Financial Statement and Compliance Package Audit Report and the school's or servicer's corrective action plan to ED's Data Management and Analysis Division to one of the following addresses.

If by regular mail:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20202-5340

If by overnight mail/courier delivery:

U.S. Department of Education
Student Financial Assistance, Schools Channel
Foreign Schools Case Management Team
830 First Street, NE
Union Center Plaza, 7th Floor
Washington, DC 20002-5340
Phone: (for overnight mail/courier delivery only) 202-377-3168

ED reviews the audit report for format, completeness, and to ensure that it complies with the U.S. government's auditing standards. Based on the audit findings and the school's or servicer's written explanation, ED will determine if any funds were spent improperly. The school or servicer must repay any improperly spent funds within 45 days, unless the school or servicer has properly appealed the decision.

Once the audit is complete, the school or servicer must give ED and the OIG access to any records or other documents necessary to review the audit. A school that uses a third-party servicer must also give ED and the OIG access to records or other documents necessary to review a third-party servicer's compliance or financial statements audit. In addition, the school's or servicer's contract with the auditor must specify that the auditor will also give ED and the OIG access to the records and documents related to the audit, including work papers.

Laws & Regulations

- 34 CFR 668.24(f)

Access to the records includes the ability of ED or the OIG to make copies of the records. Throughout the audit process, and for other examinations

such as program reviews, the school or servicer is required to cooperate fully with its independent auditor, ED, ED's Inspector General, the Comptroller General of the United States, and the appropriate guaranty agency. Cooperation includes timely and reasonable access to records, including computer records, for examination and copying and to personnel for the purpose of obtaining relevant information.

Program Reviews

In addition to reviewing audits, ED conducts its own program reviews to identify possible problems in a school's FFEL Program administration. A program review covers many of the same areas as an audit, but program reviews tend to focus more on regulatory requirements specific to the FFEL Program.

Guaranty Agency Reviews

The FFEL Program regulations also require guaranty agencies to conduct program reviews at postsecondary schools. Once every two years a guaranty agency must conduct onsite reviews of all schools for which it is the principal guaranty agency and that have a cohort default rate for either of the two preceding fiscal years that exceeds 20 percent, unless ED requires the schools to take specific default reduction measures or if the total amount of loans entering repayment in each of those fiscal years does not exceed $100,000.

Alternatively, a guaranty agency may use its own criteria to select schools for the biennial onsite reviews if ED approves the agency's proposed alternative selection methodology. A program review conducted by a guaranty agency is similar to an ED program review, consisting of an entrance interview, a review of student records, an exit interview, and a written report.

The guaranty agency's review will focus on how the school meets FFEL-specific requirements, such as:

- certification of the loan application;
- maintenance of records supporting the student's loan eligibility;
- processing procedures and payment of loan monies; *and*
- prompt lender notification when the student changes enrollment status, such as complete withdrawal.

Two copies of the guaranty agency's report are forwarded to ED, including the school's payment if liabilities were assessed.

Appealing Audit and Program Review Determinations

The law allows for appeals of final audit or program review determinations. Only a final determination may be appealed.

The letter conveying a final audit determination is clearly identified as a "Final Audit Determination Letter" (FAD) and explains the appeal procedures. For a program review, the final determination letter is marked "Final Program Review Determination Letter" (FPRD).

If a school or servicer wants to appeal an audit or program review determination, the school must appeal in writing to the ED official identified in the determination letter within 45 days after the school receives the determination letter (FAD or FPRD). If the school or servicer makes such a request, the determination will be reviewed by an impartial hearing official appointed by ED. In most cases, an oral presentation is not required. The school or servicer and ED must submit briefs with any accompanying materials to the official and provide the other party with a copy of its submission at the same time. If the final decision is appealed by either party, the U.S. Secretary of Education will review it. If the hearing official or the Secretary finds that the school or servicer improperly expended funds or otherwise failed to comply with applicable program rules and requirements, ED will collect the liability owed. The school or servicer must repay the funds within 45 days of ED's notification of the liability, unless ED grants an extension. At its option, ED may elect to use an administrative offset to collect the funds owed.

Withdrawal from the FFEL Program

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

A school may stop participating in the FFEL Program voluntarily or it may be required to leave involuntarily. In either situation, there are required close-out procedures to follow.

A separate close-out audit is not required if a school closes an additional location or a branch campus because the next due compliance audit for the school must report on the use of FFEL Program funds at the closed location. However, the school must notify ED of the additional location or branch closure. (See page 2-13.)

Voluntary Withdrawal from the FFEL Program

A school may voluntarily withdraw from the FFEL Program. For more information on the requirements and procedures for withdrawing, contact ED's Foreign School's Team at the following email address: OSFA.foreign.schools.team@ed.gov.

A school that withdrew voluntarily (for instance, to lower its default rate) can request to participate again without the waiting period required for a school that was terminated from the program involuntarily or withdrew voluntarily while under a show cause or suspension order.

Withdrawing from the FFEL Program while under a termination order or other sanction, or to avoid being placed under them, is not considered voluntary withdrawal.

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Involuntary Withdrawal from the FFEL Program

A school's participation ends in the following circumstances:

- The school closes or stops providing instruction, for a reason other than normal vacation periods or as a result of a natural disaster that directly affects the school or its students. If the school closes its main campus or stops providing instruction on its main campus, its loss of eligibility includes all its locations and programs.
- The school loses its eligibility.
- The school's participation is terminated under 34 CFR Part 668, Subpart G.
- The school's period of participation expires or the school's provisional certification is revoked by ED.
- The school's PPA is terminated or expired.
- The school's cohort default rate exceeds the limit.

If a school ceases to provide educational instruction in all programs, the school should make arrangements for its students to complete their programs. If the school chooses to enter into a formal teach-out arrangement, the school should contact the Foreign Schools Team for guidance.

When a school's participation in the FFEL Program ends, for whatever reason, the school must immediately notify ED and comply with the following minimum requirements:

- Within 45 days of the effective ending date of participation, submit to ED all financial reports, performance reports, and other reports required by FFEL Program regulations, as well as a dated letter of engagement for an audit by an independent auditor of all program funds received. The completed audit report must be submitted to ED within 45 days after the date of the letter of engagement.
- Report to ED on the arrangements for retaining and storing for the remainder of the appropriate retention period all records concerning the school's management of the program.
- Notify ED how the school will provide for collecting any outstanding FFEL Program loans held by the school.
- Refund students' unearned tuition and fees.

In addition, a school must also return to the appropriate lender(s) any loan proceeds the school received but has not disbursed to students.

Additional closeout procedures

If a school's participation ends during a payment period or enrollment period but the school continues to provide education in the formerly eligible program until the end of the payment or enrollment period, the school may satisfy any unpaid FFEL commitments made to students for that period of enrollment by delivering subsequent FFEL disbursements to the students or by crediting them to the students' accounts (if the first disbursement already was delivered or credited before the school's participation ended).

Where to Call

- Foreign Schools Team
  202-377-3168

Contact ED's Foreign Schools Team for guidance in fulfilling these requirements and responsibilities.

Case Management

Case management is ED's approach to oversight of schools that participate in the FFEL Programs. Case management is designed to provide ED with a thorough picture of a school's overall compliance through the use of Case Teams. Case Teams are composed of both regional and Washington, DC, staff. Each team is assigned a portfolio of schools. The team is responsible for all oversight functions for the schools in its portfolio. These functions include audit resolution, program reviews, financial statement analysis, and recertification.

Each school is assigned a Case Manager, who leads the Case Team in its evaluation of that school. The entire team will evaluate information on the school from a variety of sources to identify any compliance problems at the school. The team can then assess potential risk to the FFEL Program and determine the appropriate action to be taken. Once the appropriate action has been decided, the Case Manager assigned to the school ensures that the recommended actions are taken.

Case Teams will collect and review information on a school from many sources including, but not limited to:

- applications for recertification;
- financial and compliance audits;
- country authorization agency;
- accrediting agencies and licensing boards;
- student complaints; *and*
- ED databases.

Possible Actions

A Case Team may decide to take actions that include, but are not limited to:

- initiating recertification or provisional certification;
- initiating a program review;
- establishing liabilities;
- developing a strategy for providing technical assistance;
- placing the school on cash monitoring;
- requiring a letter of credit; *and*
- referring the school for an enforcement action.

Chapter

3

Establishing Borrower Eligibility

To receive assistance from the Federal Family Education Loan (FFEL) Program, a student (or parent for a Federal PLUS Loan) must meet certain eligibility requirements. A school cannot certify loans for or disburse aid directly or through a third party to a student who does not meet the eligibility requirements. Some of the eligibility requirements relate to the student's enrollment and can be verified by checking school records. The school may need, however, to turn to other resources to resolve other eligibility issues. The school must determine that the student (or parent for a Federal PLUS Loan) meets these eligibility requirements before certifying an FFEL Program loan.

Laws & Regulations

- 34 CFR 668, Subpart C

Student Borrower Eligibility

This section discusses the requirements a student must meet in order to borrow from the FFEL Program.

Regular Student in an Eligible Program

Laws & Regulations

- 34 CFR 668.32(a)(1)
- 34 CFR 600.2
- 34 CFR 600.54(a)

To receive FFEL Program funds, an individual must be enrolled as a regular student in an eligible program. (See Chapter 2 for a description of an eligible program.)

- A regular student is someone who is enrolled (or accepted for enrollment) for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by the school.
- A school must determine separately for each individual student taking courses that are part of an eligible program whether that student is a regular student.

Take a Look

- See Chapter 2 for a description of an eligible program.

Exception: A student who is not enrolled in a degree or certificate program is eligible for FFEL Program loans for a period of up to 12 months if the student is taking coursework necessary for his or her enrollment in an eligible program. The coursework must be part of an eligible program, although the student does not have to be enrolled in the eligible program.

Academic Qualifications

Laws & Regulations

- 34 CFR 668.32(e)

To receive an FFEL Program loan, a student must be qualified to study at the postsecondary level.

- A student who has a high school diploma, a secondary school completion credential, or its recognized equivalent is considered qualified.

- Equivalents include General Education Development tests, state certificates, and high school diplomas from foreign schools.
- Students enrolled in foreign schools cannot qualify by taking an Ability-to-Benefit Test.

Enrollment Status

The FFEL Program requires a student to be enrolled at least half time in order to receive aid. To be enrolled half time, a student must be taking at least half of the workload of a full-time student. As specified in the regulations, schools define the full-time workload for an undergraduate student, subject to certain minimums pertaining to undergraduates. The school's definition of a full-time workload for a program must be used for all students enrolled in that program and must be the same definition for all FFEL-related purposes, including loan deferments.

Minimum Standard for Full-Time Status

Reference

- *2001-2002 Student Financial Aid* Handbook, *Volume 1: Student Eligibility*

A school may include any combination of courses, work, research, or special studies in its definition of workload. The regulations specify a minimum standard for undergraduate students but not for graduate students. The school must define full-time status to meet at least the following minimums:

- 12 semester hours or 12 quarter hours per academic term in an educational program using a semester, trimester, or quarter system;
- 24 semester hours or 36 quarter hours per academic year for an educational program using credit hours but not using a semester, trimester, or quarter system or the prorated equivalent for a program of less than one academic year;
- 24 clock hours per week for an educational program using clock hours;
- for a program using both credit and clock hours and using a semester, trimester, and quarter system, any combination of credit and clock hours where the sum of the following fraction is equal to or greater than 1 (one):

$$\frac{\text{Number of credit hours per term}}{12}$$

plus

$$\frac{\text{Number of clock hours per week}}{24}$$

Reference

- 34 CFR 668.8(k)

- for a program using both credit and clock hours but not using a semester, trimester, or quarter system, any combination of credit and clock hours where the sum of the following fractions is equal to or greater than 1 (one):

$$\frac{\text{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\text{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\text{Number of clock hours per week}}{24}$$

- a series of courses or seminars equaling 12 semester or quarter hours over a maximum of 18 weeks; *or*

- the work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student.

A student who is taking only correspondence courses is never considered to be enrolled more than half time.

If a student is enrolled in courses that do not count toward his or her degree, those hours cannot be used to determine his or her enrollment status, unless the coursework is noncredit remedial. In general, noncredit remedial work cannot exceed one academic year's worth.

A school is responsible for determining the minimum number of credit hours for a full time graduate student.

Satisfactory Academic Progress

To be eligible for FFEL Program loans, a student must make satisfactory academic progress (SAP) in accordance with the school's SAP policy. This policy must contain the elements discussed in Chapter 2, "Institutional Eligibility and Participation."

A student who loses FFEL Program eligibility because he or she is determined not to be making SAP will regain eligibility beginning with the next grading period after the student has come into compliance with the school's requirements. A student who regains eligibility during a period of enrollment is eligible for a loan for the entire period of enrollment (usually an academic year) in which he or she met the SAP standards, unless school policy provides for reinstatement of eligibility at a later point.

Laws & Regulations

- 34 CFR 668.34
- 34 CFR 668.32(f)
- 34 CFR 668.16(e)

Take a Look

- See Chapter 2 for more information about satisfactory academic progress.

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Members of a Religious Order

Laws & Regulations

- 34 CFR 682.301(a)(2)

Members of certain religious orders are not eligible to receive FFEL subsidized loans. The orders in question have as a primary objective the promotion of ideals and beliefs regarding a Supreme Being and direct the student's course of study or provide the student with subsistence support. Members of these orders, however, are eligible for FFEL unsubsidized loans.

Free Application for Federal Student Aid

To apply for an FFEL Program loan, a student must complete a Free Application for Federal Student Aid (FAFSA). The FAFSA collects information from the student and the student's spouse, if the student is married, for independent students. For dependent students, the information is collected from the student and his or her parent(s).

Web site

- http://www.fafsa.ed.gov

All students (undergraduate and graduate) can complete a paper or Web-based version of the FAFSA. Students who have previously applied for U.S. financial aid may use the condensed Renewal FAFSA to file at www.fafsa.ed.gov.

After the FAFSA or Renewal FAFSA is completed, it is sent to the designated processor. The FAFSA processor inputs data from paper FAFSAs and sends it to the Central Processing System (CPS). The CPS receives data both from the FAFSA processor and directly from the Web-based version of the FAFSA.

The CPS uses the data collected on the FAFSA to calculate a student's Expected Family Contribution (EFC) and to match the student's data against a number of databases maintained by U.S. agencies such as the U.S. Social Security Administration (SSA), the Immigration and Naturalization Service (INS), the National Student Loan Data System (NSLDS), the Selective Service System, and the Department of Veterans Affairs. The purpose of the database matches is to verify the student's eligibility.

Note: Only schools that are fully operational electronically will receive the ISIR. For more information on ISIRS, see *The ISIR Guide* at www.ifap.ed.gov/IFAPWebApp/currentSARMaterialsPag.jsp.

After processing is complete, the CPS produces two types of output documents: the Institutional Student Information Record (ISIR), which is sent to the school electronically, and the Student Aid Report (SAR), which is sent to the student.

Take a Look

- See Appendix F for a copy of a SAR.

The SAR reports the information the student provided on the FAFSA, the EFC, the results of the eligibility matches, and any information about inconsistencies discovered through CPS edits. The student will need to provide the foreign school with a copy of his or her SAR (unless the school is receiving the data electronically.)

A "For Financial Aid Office Use Only" box appears on page 2 of the SAR. The results of the database matches appear under the heading of "Match Flags." The school will use this information to resolve questions of eligibility

Note: Students filing a FAFSA electronically will receive a two-page SAR Information Acknowledgement that provides less detailed eligibility information for the school administrator.

described in this chapter. In addition, page 3 of the SAR provides written comments to the student about the results of the database matches.

A table of database match flags is available at www.ifap.ed.gov/sarmaterials/attachments/appb.pdf.

Corrections, Updates, and Adjustments

The student's application information may be corrected or updated by making corrections to the SAR. A student may also make corrections online through the "FAFSA on the Web" site: www.fafsa.ed.gov.

Web Site

- http://www.fafsa.ed.gov

To correct the paper SAR, the student must enter the correct information on pages 5 through 8 of the SAR and mail these pages back to the FAFSA processor at the address indicated. The student and spouse, if the student is married, must sign on page 8 when submitting corrections. At least one parent must sign if the student is a dependent student.

Take a Look

- See Appendix F for a copy of a Student Aid Report (SAR).

Most of the information, however, may not be updated to reflect changes after the application has been filed. There are three items that a student must update if the information changes for a reason other than a change in marital status:

- dependency status;
- household size; *and*
- number of college students.

Web Site

- www.ifap.ed.gov/IFAPWebApp/currentEFCInformationPag.jsp

A school administrator may recalculate the student's EFC for the FFEL Program without having the student submit the corrected or updated SAR to the CPS. Instructions for calculating the EFC are available at www.ifap.ed.gov/IFAPWebApp/currentEFCInformationPag.jsp.

Valid Social Security Number

In general, before an FFEL Program loan can be disbursed, a student must have provided a correct Social Security number (SSN) that matches the name and birth date associated with the SSN in the SSA records. If the SSN is not confirmed during the database match the CPS conducts with the SSA, the CPS prints a comment on the SAR giving the student instructions. A school must resolve any problems with the match before the loan application is certified.

Laws & Regulations

- 34 CFR 668.36

Successful Match (Match Flag = 4)

If the CPS match with the SSA database confirms the student's SSN and SSA records have the same name and birth date as reported on the FAFSA, the student's SSN has been confirmed. No comment is provided on the SAR when the SSN match is successful.

However, if the school has any conflicting information about the SSN, it must resolve the conflict before disbursing FFEL funds to the student.

No Match on SSN (Match Flag = 1)

If the SSN is not found in the SSA database, the student's FAFSA will be rejected. The student will receive a comment that instructs him or her to correct his or her SSN or contact SSA if he or she believes the SSN reported is correct. The student must correct the application information with the CPS before he or she can receive aid.

If the student's FAFSA is rejected because he or she reported an incorrect SSN, the student must provide a correct SSN to the CPS. The student may submit a correction on the SAR. However, ED recommends that the student file a new FAFSA using the correct SSN, rather than correcting the original information.\

Where to Call

- Federal Student Aid Information Center
  800-433-3243 or
  319-337-5665

If a student provided the correct SSN on the FAFSA but the SSN on the SAR is wrong, the student can contact the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID or 319-337-5665. The FSAIC can confirm whether there was an error in entering the student's data into the CPS. The FSAIC will refer any such data errors to ED for correction; the student should not submit a correction. After the data entry error is corrected, the student will be mailed a new SAR.

If the SSN is correct on the SAR but is not in the SSA database, the student must contact an SSA office in the United States to update the database. He or she must report the correct SSN to the SSA and provide documentation verifying the correct number. The student must contact an SSA office directly; he or she cannot ask ED to correct SSA records. The SSA database is updated daily with information from its local and regional offices. Once the SSA database is updated, the student can submit a corrected SAR, providing the SSN originally reported as if it is a correction. The CPS will then match again with SSA. The student cannot just simply verify the correction; the application will be rejected until the SSA database is updated.

Name or Birth Date Match (Match Flag = 2, 3)

The student's FAFSA will not be rejected if the SSN is in the SSA database but the name or birth date does not match those provided by the student. The school still needs to resolve the discrepancy before paying the student.

Problems in matching the name are less likely to occur if the student makes sure that the name he or she provides on the application matches the name on his or her Social Security card.

A student may not need to correct a name or birth date that was reported incorrectly on the FAFSA. The school can disburse aid if the student can explain the discrepancy and provide documentation showing that the SSN belongs to him or her. Although the student is not required to make a

correction, ED recommends that he or she do so. If a student reports the current (or later) year as his or her birth date, the FAFSA will be rejected, and the student must submit a correction.

If the name or birth date in SSA records does not match the correct name and birth date reported on the FAFSA, the student is not required to contact SSA to update its records. Instead, the student only needs to provide documentation to the school showing that the name and birth date on the FAFSA is correct. However, the student may wish to ask SSA to update its database, so that he or she does not need to provide documentation every time he or she applies for U.S. student financial aid.

Missing Information (Match Flag = 8)

No match is performed when the student does not provide the last name or birth date, and the student's FAFSA will be rejected. The student must submit a correction with the missing information. Although the CPS does not conduct the match, it will check to see whether the reported SSN falls within a valid range.

If the SSN is in a valid range, the student will receive a comment explaining that the match could not be conducted without the name or birth date. The student must submit a correction providing the missing information. When the correction is sent, the information is sent to SSA for matching, and the school should check the new SAR for match results.

Selective Service

Laws & Regulations

- 34 CFR 668.37

In general, men between the ages 18 through 25 who are U.S. citizens or residents are required to register with the U.S. Selective Service System. Anyone required to register must have done so to receive aid from the FFEL Program. Men exempt from the requirement to register include:

- males currently in the armed services and on active duty (this does not apply to members of the Reserve and National Guard who are not on active duty);
- males born before 1960; *and*
- citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau.

Noncitizens who enter the United States after the age of 26 are not required to register. Only those immigrant men ages 18 through 25 who enter and live in the United States are required to be registered. If a male immigrant can show proof that he first entered the United States when he was past registration age, he is not required to have registered. The student's entry documentation is enough to show whether he was required to register.

To check that students who must be registered actually are registered, the CPS performs a match with the Selective Service System.

Successful Match (Match Flag = Y, T)

If the match shows that the student is registered or exempt, a comment confirming this fact will be on the student's SAR. The student then meets the registration eligibility requirement for FFEL Program loans. The student is also eligible if the match shows the student is too young to register. If the student asked to be registered, Selective Service will hold that registration request until 30 days before the student's 18th birthday and will then register the student. The student also meets the registration eligibility requirement if the CPS successfully forwarded the student's name to Selective Service for registration.

Unsuccessful Match (Match Flag = N or Blank)

If the match did not confirm the student's registration or the student could not be registered, the SAR will have a comment about the problem. Until the student resolves the registration problem, the school cannot certify an FFEL Program loan.

If the match showed that the student was not registered, the student must either register or provide evidence that he is registered or is exempt from registration. The student's Selective Service Registration Acknowledgement or letter of registration shows that the student is registered. The school can also go to the Selective Service Web site at www.sss.gov and check on the student's registration status. The school can print the Web page as documentation that the student is registered. If the student does not have an acknowledgement or letter of registration, and the Web site does not confirm his registration, he must contact Selective Service to resolve the problem. If the conflict is resolved in the student's favor, he will receive a letter from the Selective Service documenting that he is registered or that he is exempt from registering.

Web Site

- http://www.sss.gov

The CPS will not be able to forward the student for registration if the first and last name and date of birth are missing from the FAFSA. The student should submit a correction with the required information; the school then looks at the match results from this correction to see if the student is eligible.

The registration forwarding will also fail if the student is 26 years or older. Such a student cannot register, and the school will have to determine whether the student is still eligible despite failing to register.

Failure to Register

Some students have been denied aid because they failed to register with Selective Service before their 26th birthday. The Military Selective Service Act was amended to require a school, under certain conditions, to pay otherwise eligible students who are 26 or older and who did not register when required.

To receive aid, such students must demonstrate that they did not knowingly and willfully fail to register.

ED's regulations also allow students who did not register and are too old to register to receive FFEL Program loans if they served on active duty in the U.S. Armed Forces. The school should obtain the student's Certificate of Release or Discharge from Active Duty, showing:

- military service in the armed forces other than the reserve forces, the delayed entry pool, and the U.S. National Guard *and*
- release under a condition other than dishonorable.

The school must determine whether a student who has not served in active duty knowingly and willfully failed to register. That is, the school must determine whether the student knew of the registration requirement but chose not to register.

Determining Whether Nonregistration Was Knowing and Willful

Unless a school can document that a student meets one of the allowable exemptions regarding registration or can document that the student has served in active duty in the U.S. Armed Forces, the student must first write to Selective Service to request a Status Information Letter addressing his failure to register. The student should provide as complete a description about his situation as possible: where he was living during the period when he should have registered, whether he was incarcerated or institutionalized, his citizenship status during the period, if applicable, and so on.

If the student receives a "general exemption letter" (Letter Codes E1-E7) or a "DOB before 1960" letter (Code NR), the student is exempt from registration and may receive FFEL Program funds. If the student receives any other type of letter, the school must determine (based on all relevant evidence) whether the student knowing and willfully failed to register.

The letter from Selective Service is part of the relevant evidence.

- For example, if the student received a letter indicating a compliance letter had been sent (code RL), this letter would be a negative factor when the school makes the determination; *or*
- If the student received a "Military Service: Noncontinuous" letter (code NM), the school might reasonably determine that the student did not knowingly and willfully avoid registration.

Most of the Status Information Letters state that the final decision regarding the student eligibility rests with the agency awarding funds. For the purposes of the FFEL Program, the eligibility decision is made by the school. If the school determines that the student's failure to register was knowing and willful, the student loses FFEL Program eligibility.

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The school's decision is final and therefore cannot be appealed to ED. However, ED will hear appeals from students who have provided their school with proof of compliance with the registration requirement but who are still being denied FFEL funds based on the registration requirement.

When deciding whether the student had knowingly and willfully failed to register, the school should consider the following factors:

- Where the student lived when he was age 18 through 25. (If the student was living abroad, it is more plausible that he would not come into contact with the requirement for registration.)
- Whether the student claims that he thought he was registered. (Mistakes in recordkeeping can occur. Correspondence indicating an attempt to register could form a basis for determining the student did not knowingly and willfully fail to register. On the other hand, a letter from Selective Service stating that it received no response to correspondence sent to the student at a correct address would be a negative factor.)
- Why the student was not aware of the widely publicized requirement to register when he was age 18 through 25.

Citizenship Status

Laws & Regulations

- 34 CFR 668.33

A student must be a U.S. citizen or an eligible noncitizen to be eligible for FFEL Program funds. The term "U.S. citizen" includes citizens of the 50 U.S. states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. The general requirement for eligible noncitizens is that they be in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident. The specific eligible statuses are:

- a U.S. citizen or national;
- a U.S. permanent resident;
- a citizen of certain Pacific Islands (the Freely Associated States); *or*
- other eligible noncitizens.

SSA U.S. Citizenship Match

ED automatically performs a match with the SSA to verify a student's citizenship status.

Successful Match (Match Flag = A or blank)

If the match is successful, there is no comment on the SAR, and no further status documentation is required. If the student leaves the question blank on

the FAFSA, and there is a complete match with the student's SSN, name, date of birth, and U.S. citizenship, the CPS will assume that the student is a citizen. Applications with insufficient information will be rejected if one of the items does not match or if the SSA shows that the student is not a citizen.

*Unsuccessful Match (Match Flag = B, C, D, E, F, *, or N)*

If the SSA cannot find a match in its database for the student's SSN, name, or date of birth, a comment on the SAR will state that the SSA could not confirm the student's citizenship. The student should make the necessary corrections to the SSN (see previous section, *Valid Social Security Number*), name, or date of birth, and CPS will perform the match again. The school should check the new results to see if the SSA confirmed the student's citizenship.

If the SSA does not confirm that a student is a citizen, a comment will appear on the SAR explaining that the student needs to either provide documents to the school proving citizenship or make a correction on the SAR to show that he or she is an eligible noncitizen. If the student is a citizen, he or she must give the school documentation of his or her status. If the student submits appropriate documents, the school is not precluded from certifying the loan or disbursing FFEL Program funds to the student. The school needs to keep a copy of the documents in the student's file. Examples of some types of permissible documentation are:

- a copy of the student's birth certificate showing that he or she was born in the United States;
- a U.S. passport, which may be current or expired (in the case of nationals who are not citizens, the passport will be stamped "Noncitizen National");
- a copy of Form FS-240 ("Report of Birth Abroad of a Citizen of the United States"), the FS-545 ("Certificate of Birth-Foreign Service"), the DS-1350 ("Certificate of Birth"), or the INS Form G-639 (the Freedom of Information Act form). The first three forms are generated by the U.S. State Department and include an embossed seal with the words "United States of America" and "State Department";
- a Certificate of Citizenship from the INS, which must include the student's name, certificate number (found in the upper right-hand corner), and the date the certificate was issued; *or*
- a Certificate of Naturalization from the INS, which must include the student's name, certificate number (found in the upper right-hand corner), the INS Alien Registration Number, the name of the court that granted the naturalization, and the date of naturalization.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume One: Student Eligibility*

Neither a Social Security card nor a driver's license is acceptable for documenting citizenship.

U.S. citizens born abroad may fail the citizenship match unless they have updated their citizenship information with the SSA. These students can document citizenship by providing a "Certificate of Birth Abroad."

U.S. Permanent Residents and Other Eligible Noncitizens

A permanent resident is a noncitizen who is legally permitted to live and work in the United States permanently.

Other eligible noncitizens include:

- refugees;
- persons granted asylum;
- conditional entrants;
- persons paroled into the United States indefinitely for humanitarian reasons; *and*
- Cuban-Haitian entrants.

Some noneligible statuses are:

- family unity status;
- temporary residents; *and*
- individuals with nonimmigrant visas.

INS Match

Reference

- *2001-2002 Student Financial Aid Handbook, Volume One: Student Eligibility*

To verify the citizenship statuses of U.S. permanent residents and other eligible noncitizens, students report Alien Registration Numbers (A-Numbers) on the FAFSA. The INS assigns A-Numbers to all legal immigrants. If an applicant indicates on the FAFSA that he or she is an eligible noncitizen and provides an A-Number, identifying information from the FAFSA is automatically sent to the INS for confirmation. This verification process, performed by the INS, is known as "Primary Confirmation."

Because all FAFSAs are sent to the SSA match, an application that undergoes the INS match will also undergo the SSA citizenship match. Results from the INS match take precedence over any results from the SSA citizenship match. Therefore, in cases where the INS match is conducted, the SSA citizenship flags are not on the SAR, and the school should follow the usual procedures for resolving any INS match discrepancies.

Take a Look

- See Appendix F for a copy of the SAR.

When an INS match is conducted, a 13-digit INS verification number is assigned to the student and printed in the Financial Aid Office section on page 2 of the SAR. The school will need this number if it has to check the student's status through the secondary process with the INS (see "Secondary Confirmation").

Successful Match (Match Flag = Y)

If the INS confirms the student's citizenship status through the match, then the student meets the citizenship eligibility requirement for receiving FFEL Program funds. The SAR with the successful match results is documentation of the student's citizenship.

Unsuccessful Match (Match Flag = N or blank)

If the student said he or she was an eligible noncitizen but did not provide an A-Number or the A-Number was illegible or invalid, the match will not be attempted. The student will need to submit a correction with the correct A-Number so that the match can be conducted.

If the match was conducted, but the INS did not confirm the student's status, the school must resolve the discrepancy before certifying the loan or paying the student. Although the student is not automatically ineligible for FFEL Program funds, additional procedures may be necessary to document the student's eligibility. This subsequent process is called Secondary Confirmation.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume One: Student Eligibility*

Secondary Confirmation

The student is permitted at least 30 days from the time the school receives the SAR or ISIR to provide documentation of his or her citizenship status. During this period and until the results of the Secondary Confirmation are received, a school in general cannot deny, reduce, or terminate aid to the student. However, in this as in all other cases, a loan should not be certified if the information on file concerning eligibility contains unresolved conflicts. Disbursements can be made to an otherwise eligible student pending the INS response if at least 15 business days have passed since the date on which the documentation was submitted to the INS.

For every student required to undergo Secondary Confirmation, the school is required to furnish written instructions providing:

- an explanation of the documentation the student must submit as evidence of eligible noncitizen status;
- the institutional deadline for submitting documentation (which must be at least 30 days from the date the school receives the results of the Primary Confirmation) and notification that if the student misses the deadline, he or she may not receive FFEL Program funds for the award period or period of enrollment; *and*

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- an acknowledgement that no determination of the student's eligibility will be made until an opportunity to submit immigration status documents is provided.

If the INS cannot confirm a student's claim to be an eligible noncitizen, or a school has conflicting information about a student's citizenship status, the school must use a secondary process to confirm the student's status. The student must give the school documentation showing that he or she is an eligible noncitizen. If the student provides documentation that appears to demonstrate that he or she is an eligible noncitizen, the school submits the documentation to the INS to confirm that the documentation is valid.

Acceptable Documents

The standard documentation for a permanent resident of the United States is the Alien Registration Receipt Card (Form I-151 or Form I-551). Both forms are referred to as "green cards," although the newer forms are most often white with blue or pink wavy lines. The INS is replacing cards issued before 1979 with these new, counterfeit-resistant cards. The deadline established for permanent residents to replace their old cards was March 20, 1996. However, the older Form I-151 cards remain acceptable as evidence of permanent residents for the purpose of receiving FFEL Program funds. A passport or a Departure Record (Form I-94) is also acceptable if it has one of the following stamps:

- "Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until (date). Employment Authorized."

- "Temporary Form I-551. Admission for permanent residence at (port) on (date) verified. (signature of issuing officer), (title)." This I-94 will also contain the individual's photo and an INS seal over the photo and the stamp.

For other types of eligible noncitizens, evidence of their status is on Form I-94. The I-94 will contain one of the following:

- Refugees – A stamp reading either "Admitted as a Refugee Pursuant to Section 207 of the Act. If you depart the United States you will need prior permission to return. Employment Authorized," or "Status changed to refugee pursuant to Section 207(c)(2) of the Immigration Nationality Act, on (date) . Employment Authorized." Refugees may also have a Refugee Travel Document (Form I-571), which can be used for documentation if it has not expired.

- Asylees – A stamp reading "Asylum status granted pursuant to Section 208, INS. Valid to (date) . Employment Authorized."

- Conditional entrants – A stamp indicating that the student has been admitted to the United States as a conditional entrant. Because INS stopped using this category on March 31, 1980, a school that does not hear from INS within the permissible time frame should not certify a loan or disburse funds to a student who shows an I-94 with conditional-entrant status granted after March 31, 1980.

- Parolees – A stamp indicating that the student has been paroled into the United States for an indefinite period of time for humanitarian reasons. The word "indefinite" and/or "humanitarian" will be handwritten into the stamp.

- Cuban-Haitian entrants – A stamp across the face of the I-94 indicating that the student has been classified as a "Cuban-Haitian Entrant (Status Pending). Reviewable (date) . Employment authorized until (date) ." A document showing that the holder is a Cuban-Haitian entrant is valid even if the expiration date would make the document appear to be no longer valid.

Each of the documents described above will be stamped in rust-colored ink. It will normally contain a validation indicating the office of issuance and a code that indicates which officer prepared the document. Examples of codes are "WAS-82" (Washington District Office, Officer Number 82) or "1/13/84 SPO.KD" (Spokane Office, officer's initials KD).

The school must keep in the student's file a copy of the citizenship documentation the student submits, along with the Secondary Confirmation results received from the INS. Documentation provided as proof of the student's citizenship status (such as the I-551 and I-94) may legally be photocopied by the student, as long as the photocopies are made for this lawful purpose. A school must always examine and copy original documents.

Documents Showing Noneligible Statuses

If the document a student submits is for a noneligible status, the school should not submit the documentation for Secondary Confirmation. Some examples of documents for noneligible statuses include:

- Form I-797, "Application for Voluntary Departure Under the Family Unity Program";

- Employment Authorization Card (Form I-688A);

- Employment Authorization Documents (Form I-688B or Form I-766);

- Temporary Resident Card (Form I-688);

- Nonimmigrant Visa;

- B-1 or B-2 Visitor Visa
- F-1, F-2, or M-1 Student Visa
- J-1 or J-2 Exchange Visa
- H, L, or G series Visa;

- Notice of Approval to Apply for Permanent Residence (Form I-171 or Form I-464); *and*
- Form I-94 stamped "Temporary Protected Status."

A student with any of these statuses is not eligible for an FFEL Program loan.

Initiating Secondary Confirmation

Take a Look

- See a copy of the G-845S in Appendix F.

To initiate Secondary Confirmation, a school must complete the Document Verification Request, Form G-845S. The G-845S is a standard INS form used to ask the File Control Office at INS to confirm that a noncitizen's documentation is valid.

To complete the G-845S, the school fills in each item on the top half of the form.

- The student's A-Number is provided in the first item.
- "Education Grant/Loans/Work Study" must be marked in Box 8, "Benefits."
- The school official must include his or her name as the submitting official and the school's name as the submitting agency.
- Under Item 6, "Verification Number," the school must provide the 13-digit number that is located on page 2 of the SAR in the Financial Aid Office section under the match flags. Secondary Confirmation requests sent to INS without verification numbers will be returned unprocessed.
- Photocopies of the front and back sides of the student's citizenship document must be attached to the G-845S.
- Each pertinent visa and document must be submitted along with the form. The G-845S is used only to certify the authenticity and identity of immigration documents attached to it; the G-845S cannot be submitted to INS by itself for determining a student's eligibility for FFEL Program funds.

- The school must send the completed G-845S and attachments to the File Control Office serving its locale no more than 10 business days after receiving the documentation from the student.

- If the school does not receive a determination from INS within 15 working days (10 working days plus five days mail time) of the date the school sent the G-845S, the school official should review the file to determine whether he or she feels the student meets the citizenship eligibility requirements based on the documentation the student provided and the information in this chapter.

- If the school official believes that the student meets the requirements, he or she can make any disbursement for which the student is otherwise eligible; the school official, however, must note in the student's file that INS exceeded the time allotment and, thus, citizenship eligibility was determined without the benefit of INS verification.

- When Secondary Confirmation results in an eligible status, the school must keep the G-845S.

Take a Look

- See a copy of the G-845S in Appendix F.

Interpreting the INS Response

The G-845S has a number of checkboxes for the INS response. Use the following explanation of INS responses to determine student eligibility.

1. This document appears valid and relates to a lawful permanent resident alien of the United States. A student with this status meets the citizenship requirement for FFEL Program funds.

2. This document appears valid and relates to a conditional resident alien of the United States. A student with this status meets the citizenship requirement for FFEL Program funds.

3. This document appears valid and relates to an alien authorized employment as indicated below. Unless some other eligible status is also checked, or the student can provide other documentation that can be confirmed by the INS, the student is **not** eligible for FFEL Program funds.

4. This document appears valid and relates to an alien who has an application pending for… Unless some other eligible status is also checked, or the student can provide other documentation that can be confirmed by the INS, the student is **not** eligible for FFEL Program funds.

5. This document relates to an alien having been granted asylum/ refugee status in the United States. A student with this status meets the citizenship requirement for FFEL Program funds.

6. This document appears valid and relates to an alien paroled into the United States pursuant to Section 212 of the I & N Act. A student with this status meets the citizenship requirement for FFEL Program funds.

7. This document appears valid and relates to an alien who is a Cuban-Haitian entrant. A student with this status meets the citizenship requirement for FFEL Program funds.

8. This document appears valid and relates to an alien who is a conditional entrant. A student with this status meets the citizenship requirement for FFEL Program funds.

9. This document appears valid and relates to an alien who is a nonimmigrant. A student with this status is **not** eligible for FFEL Program funds.

Interpreting the INS Response (Cont'd)

10. This document appears valid and relates to an alien not authorized employment in the United States. A student with this status is **not** eligible for FFEL Program funds

11. Continue to process as legal alien. INS is searching indices for further information. The student's documentation should be accepted at face value until INS sends final notification regarding immigration status. If the student appears to be an eligible noncitizen based upon the school's review of the documents, the school may pay the student any FFEL Program funds for which he or she is eligible. If INS later notifies the school that the student's documentation is not valid, the school must cancel further disbursements but will not be liable for the payments already made.

12. This document is not valid because it appears to be … Notify the student to contact the INS. Until this discrepancy is resolved, no further loans may be disbursed or certified. If the student does not take corrective action in a timely manner, the case must be reported to the OIG at 1-800-MIS-USED.

The INS will initial and stamp the front of the G-845S in the signature block.

Financial Aid History

To help schools determine whether a student has problems such as defaulted loans, overpayments, or exceeded loan limits, the CPS matches the student's FAFSA with the National Student Loan Data System (NSLDS). The results of this match are provided on the NSLDS Financial Aid History page (page 4 of the SAR) and in the Financial Aid Office section on page 2 of the SAR. The SAR will contain the NSLDS financial aid history information only if the student's identifying information matches the database and there is relevant information for the student in the database.

If the student has no defaults or overpayments or has made satisfactory repayment arrangements on a defaulted loan, the NSLDS match flag will be 1. A match flag of 2, 3, or 4 indicates that the student has defaulted loans or owes an overpayment. The school will then need to resolve the problem before certifying the loan or disbursing aid.

Default

A student who is in default on a U.S. student loan cannot receive FFEL Program loans until he or she resolves the default. The student can resolve the default by repaying the loan in full and is then eligible again for FFEL funds. If the student has paid a defaulted loan in full but receives a SAR with

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a comment showing that he or she is ineligible because of the default, the student must give the school documentation proving that the loan has been paid in full.

A student in default on a loan can be eligible for additional FFEL funds if he or she has made satisfactory repayment arrangements with his or her loan holder. After the student makes six consecutive, full, voluntary payments on time, he or she regains eligibility. Before a school can pay the student, it must have documentation that the student has made satisfactory repayment arrangements. The school may use a written statement from the loan holder indicating that the student has made satisfactory repayment arrangements as documentation of the arrangement.

Loan Limits Exceeded

A student is ineligible for an FFEL Program loan if he or she has exceeded the annual or aggregate loan limits. The student who inadvertently exceeded the limits can repay the excess amount in full or make satisfactory payment arrangements with the loan holder and then regain eligibility for an FFEL Program loan. A school should verify compliance before a loan is disbursed to the student.

Overpayment

Laws & Regulations

- 34 CFR 668.35(c)

A student is ineligible to receive an FFEL Program loan if he or she will not agree to repay an overpayment of U.S. student financial aid (Federal Pell Grant Program, Federal Supplemental Educational Opportunity Grant Program, Leveraging Educational Assistance Partnership Program, or Perkins Loan Program) or make satisfactory payment arrangements, and it was the student's error that caused the overpayment.

No Data from Match

There are several reasons why page 4 of a student's SAR will not have financial aid history information:

- The financial aid history is not provided on a rejected application.
- Partial match – If the student's SSN is in the NSLDS database but the first name and date of birth do not match what the student reported, then no financial aid history will be reported. The SAR will have a comment explaining that the financial aid history is not provided because the name and date of birth do not match and directing the student to work with the school to resolve any discrepancies. A partial match requires resolution.
  - If the student originally reported incorrect information, the school can have the student submit correct information; the student's information will then be sent through the match again. If the school discovers the discrepancy is due to the

Take a Look

- See Appendix F for a copy of the SAR.

student misreporting the name or date of birth on the application, it should have the student make a correction.

- If the school determines that the financial aid history associated with the student's SSN does not belong to the student, it should assume that the student has no relevant financial aid information.

- Student not in the database – If a match with NSLDS is completed but there is no information on the student in the database, then no financial aid history information can be provided. The SAR will have a comment explaining that the student's SSN is not associated with any previous financial aid history. The school can thus assume that the student has no financial aid history unless it has conflicting information.

- No relevant history – If a student's SSN matches a record in the NSLDS database but there is no relevant financial aid history information to report, then no information will be on the SAR. The student will receive a comment explaining that his or her record was matched with NSLDS, but no information was found to print on the NSLDS page.

- Processing problem – If there is a problem conducting the match, no financial aid history information will be on the SAR. The SAR will also have a comment explaining that the CPS could not determine whether the student has loans in default and will direct the student to contact the school. The school must get the student's financial aid history before disbursing aid. If the student has to make corrections, the application will go through the match again when the corrections are submitted, and the school can use the results of that match to determine the student's eligibility. The student or school can also request a duplicate SAR. The application will go through the match again when the duplicate is requested.

Judgment Lien

A student is ineligible to receive an FFEL Program loan if he or she owns property on which there is a judgment lien for a debt owed to the United States. Eligibility is restored upon repayment of the debt or performance of satisfactory payment arrangements.

Credit History

An adverse credit history can affect a student's and a parent's ability to borrow an FFEL Program loan. Parents are ineligible to borrow a Federal PLUS Loan if either the student or parent is in default on a Title IV loan or if

the parent is more than 90 days delinquent on any debt or if in the past five years he or she has defaulted on any debt.

Parent Borrower Eligibility

Laws & Regulations

- 34 CFR 682.201(b)

A parent may borrow a Federal PLUS Loan to help pay for the postsecondary education of his or her children who are dependent students. To be an eligible parent borrower for a Federal PLUS Loan, a parent must:

- be the natural mother or father or adoptive parent of the student for whom the Federal PLUS Loan is being borrowed;
- be a U.S. citizen, U.S. national, or permanent resident of the United States;
- provide the parent's and student's SSNs;
- not be in default on a U.S. education loan or owe an overpayment on U.S. education funds;
- be requesting the loan for the education costs of a child who is an eligible dependent student enrolled in a postsecondary school; *and*
- not have an adverse credit history.

To apply for a Federal PLUS Loan, a parent fills out the Federal PLUS Loan application/promissory note.

- Only one parent needs to sign the application/promissory note.
- A student does not currently have to fill out the FAFSA to receive a Federal PLUS Loan.

Checking Credit History

Because Federal PLUS Loans are not available to parents with an adverse credit history, an applicant's credit history is checked. In general, a parent is considered to have adverse credit if:

- he or she is 90 days or more delinquent on any debt;
- during the five years preceding the date of the credit report, he or she has been determined to be in default on a debt;
- his or her debts have been discharged in bankruptcy; *or*
- he or she has been the subject of foreclosure, repossession, tax lien, wage garnishment, or write-off of a U.S. student financial aid debt.

A lender is permitted to establish a more stringent definition of adverse credit history than the regulations require. A parent cannot be denied a Federal PLUS Loan on the basis of not having a credit history. The absence of a credit history cannot be construed as an adverse credit history.

When a parent does not pass the credit check, the lender sends a letter notifying the parent that he or she is not eligible for a Federal PLUS Loan. The dependent student is then eligible for additional unsubsidized Stafford Loan funds, up to the loan limits for an independent student.

Student and Parent Eligibility Checklists

The checklists on the following pages provide at-a-glance lists of the FFEL Program eligibility requirements for students and parents. Schools will find these lists helpful for discussing requirements with students and parents. The checklists can also serve as a training tool for school staff members who are unfamiliar with the FFEL Program.

FFEL Program Student Eligibility Checklist

Eligibility Requirements	Reference
The school determines the student's: ¤ dependency status ¤ financial need.	34 CFR 668.2(b) 34 CFR 682.201(a)(2)(i)
The student meets general eligibility requirements, such as: ¤ citizenship status ¤ valid Social Security number (SSN) ¤ satisfactory academic progress ¤ Selective Service registration.	34 CFR 668.33 34 CFR 668.36 34 CFR 668.34 34 CFR 668.37
The student is enrolled: ¤ at least half time as a regular student ¤ in an eligible program.	34 CFR 682.201(a) 34 CFR 668.32(a)(1)(i) & (ii) 34 CFR 668.32(a)(2)
The student may: ¤ not be in default on a U.S. education loan ¤ not owe an overpayment on U.S. student aid funds ¤ not have borrowed in excess of annual or aggregate loan limits ¤ not have property subject to a judgment lien for a debt owed to the United States.	34 CFR 668.32(g) and 668.35
¤ Students can regain eligibility for FFEL Program loans by paying what they owe in full or making satisfactory repayment arrangements.	34 CFR 668.35
¤ If the student has a bankruptcy discharge, the student does not need to reaffirm student loans or overpayments discharged in bankruptcy.	34 CFR 668.35(f) The Bankruptcy Reform Act of 1994
¤ If the student previously canceled U.S. education loans due to total and permanent disability, the student can reestablish eligibility for FFEL Program loans if the school receives a physician's statement that the student is now able to attend school. The student must be counseled that, generally, new loans will not be cancelled for the same condition.	34 CFR 682.201(a)(5)
¤ Under certain circumstances, the student (if a dependent student) may borrow additional unsubsidized loan amounts above the dependent student annual limits.	34 CFR 682.201(a)(3) 115

FFEL Program Parent Eligibility Checklist

PLUS Loan Eligibility Requirements	Reference
¤ The parent is borrowing to help pay for the postsecondary expenses of his or her child.	34 CFR 682.201(b)(1)(i)
¤ The parent's child is a dependent student who meets student eligibility requirements.	34 CFR 668, Subpart C 34 CFR 682.201(b)(1)(i)
The parent must:	
¤ provide the parent's and student's Social Security numbers (SSNs)	34 CFR 682.201(b)(1)(ii)
¤ be a U.S. citizen, U.S. national, or U.S. permanent resident	34 CFR 682.201(b)(1)(iii)
¤ not be in default on a U.S. education loan	34 CFR 682.201(b)(1)(iv)
¤ not have an adverse credit history.	34 CFR 682.201(b)(1)(vii)(A)

Chapter

4

FFEL Program Procedures

School Responsibilities

A foreign school must understand the responsibilities incurred in certifying a Federal Family Education Loan (FFEL) Program loan. The school, not the lender, is responsible for determining the student's or parent's eligibility for a Federal Stafford or Federal PLUS Loan. A foreign school may contract with a guaranty agency, a consultant, or a third-party servicer for assistance. If a school or its representative certifies a loan for an ineligible student, the school will be responsible for purchasing the loan and for reimbursing the U.S. government for all interest and special allowance paid on behalf of the borrower. Therefore, a foreign school needs to be aware of the procedures involved in certifying FFEL Program loans for U.S. students.

In general, school responsibilities revolve around:

- meeting and maintaining loan-program participation requirements;
- establishing borrower eligibility;
- certifying FFEL Program loans;
- disbursing FFEL Program proceeds;
- counseling students;
- notifying the lender or guaranty agency of changes to borrower information; *and*
- reporting borrower enrollment information to the U.S. Department of Education's (ED's) National Student Loan Data System (NSLDS).

These responsibilities are described here and in Chapters 2 and 3.

Reference

- HEA 1965

Establishing Borrower Eligibility

Before a school can certify a student's or parent's (for a Federal PLUS Loan) eligibility for an FFEL Program loan, it must confirm the borrower's eligibility. This process is described in detail in Chapter 3.

Once a school has determined that a borrower meets the eligibility criteria described in Chapter 3, the next step is to determine the student's financial need. Basically, a student's need for a subsidized Stafford Loan is his or her cost of attendance minus the Expected Family Contribution minus the estimated financial assistance that the student will receive.

Take a Look

- See Chapter 3 for information about borrower eligibility.
- See page 4-20 for examples of calculating subsidized and unsubsidized loan amounts.

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Cost of Attendance

A school usually develops an average cost of education for different categories of students. For the FFEL Program, the school administrator must use the definition of "cost of attendance" (COA) given in U.S. law when determining which expenses to include. The law specifies that the COA include:

- tuition and fees;
- an allowance for living expenses, such as room and board;
- books and supplies;
- miscellaneous personal expenses, including a reasonable allowance for renting or purchasing a personal computer; *and*
- transportation costs.

For FFEL Program loans, the COA must include the fees for the loan. The law also provides limited allowances for dependent-care costs and expenses for disabled students.

Note: If a school charges tuition and fees to a student at the beginning of a program that is longer than an academic year, the COA should include the full amount of the tuition and fees charged in the period of enrollment for which the loan is made. For example, a school with a 1,350 clock-hour program defines its academic year as 900 clock hours and charges each student the full $3,000 in tuition and fees at the beginning of the program. The student, if otherwise eligible, will receive two Stafford Loans, because the program exceeds one academic year. The tuition and fees component of the first loan is $3,000; there is no tuition and fees component for the second loan. The second loan, if for an undergraduate, must be prorated, since the remainder of the program (450 hours) is less than the school's academic year.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 1: Student Eligibility*

Expected Family Contribution

The Expected Family Contribution (EFC) is based on the student's (and, if applicable, the student's family's) income and assets, as reported on the Free Application for Federal Student Aid (FAFSA). The EFC is the amount of money a student and his or her family are expected to contribute toward the cost of the student's postsecondary education. Based on certain factors, the student will be classified as dependent or independent, and this will determine whether resources of the student's family or spouse will be used in calculating the EFC.

The EFC is reported on the Student Aid Report (SAR) and the Institutional Student Information Record (ISIR), and it is based on a nine-month period of enrollment. A school must use a prorated EFC if the student's period of enrollment is going to be shorter than nine months. Prorated EFC figures

Take a Look

- See Appendix F for a copy of the Student Aid Report (SAR).

are calculated by ED and provided on page 4 of the SAR in the "Financial Aid Office" section.

For more information on SARs and ISIRs see *The ISIR Guide* at http://ifap.ed.gov/IFAPWebApp/currentSARMaterialsPag.jsp.

Estimated Financial Assistance

A student's estimated financial assistance (EFA) is the amount of aid he or she will receive for the enrollment period covered by the loan. Most types of aid usually take the form of scholarships, grants, loans, or work that is awarded on the basis of postsecondary enrollment.

Take a Look

- See examples for calculating need on page 4-20.

Need

A student's need for a subsidized Stafford Loan is his or her COA minus the EFC minus the EFA that the student will receive.

Professional Judgment

U.S. law allows a school administrator to use professional judgment to:

- increase or decrease one or more of the data elements used to calculate the EFC;
- adjust a student's COA; *and*
- override a student's dependency status (from dependent to independent).

If a school administrator uses professional judgment, he or she must follow these guidelines:

- Professional judgment is performed on a case-by-case basis.
- The reason for the professional judgment must be documented in the student's file, and it must relate to the student's special circumstances.
- A parent's unwillingness to assist the student is not by itself grounds for a dependency override.
- A school administrator can only perform a dependency override from dependent to independent.
- Professional judgment cannot be used to waive student eligibility requirements or circumvent the intent of U.S. law and regulations.

Examples of special circumstances listed in the law include elementary or secondary tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or

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changes in the family's income or assets. Use of professional judgment is neither limited to the situations listed nor required in those situations. A school's decision regarding any adjustment is final and cannot be appealed to ED.

After reviewing the FAFSA and determining the student's eligibility, the school administrator calculates the loan amounts for which a student is eligible subject to annual and aggregate loan maximum limits.

Promissory Notes

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

Take a Look

- See Appendix F for copies of the MPN and the PLUS Loan application/promissory note.

To obtain a subsidized or unsubsidized Stafford Loan, a student must complete a Master Promissory Note (MPN). A student may obtain an FFEL MPN from a school, guaranty agency, or lender. A student attending a foreign school is likely to be working directly with a lender or guaranty agency and will obtain the MPN from them. A copy of the MPN appears in Appendix F.

A student may receive the MPN before the school certifies the loan, or he or she may receive it after the school has completed its certification. All schools must use the MPN for subsidized and unsubsidized Stafford Loans. However, only certain schools may use the multi-year feature of the MPN. At this time, foreign schools may not use the multi-year feature, as described in the *Student Financial Aid Handbook*. Schools should keep their copies of the MPN on file.

For a Federal PLUS Loan, a parent signs an application/promissory note.

Required Borrower Information on the MPN

Take a Look

- See Appendix D for a list of guaranty agencies.

A borrower must provide his or her name, address, date of birth, Social Security number, and driver's license number as well as two personal references on the MPN. If the borrower previously borrowed from a particular agency or the agency uses electronic loan processing, some of this information may be preprinted on the MPN. The borrower must read and sign the MPN.

In completing the FFEL MPN, the borrower must provide the name of a lender. If a borrower has been unable to find a lender willing to make the FFEL Program loan, he or she should contact the guaranty agency that serves his or her state of residence for assistance in finding a lender of last resort.

By signing the MPN, a borrower is giving the school permission to release information pertinent to the loan to ED, lenders, and guaranty agencies.

Determining the Loan Period and Loan Amount

The school must determine the student's loan period and loan amount. The maximum loan period is generally the school's academic year or the remaining length of the program, whichever is less, but it cannot exceed a 12-month period.

Academic Year

The academic year is used when determining the student's annual loan limit. The annual limit for Stafford Loans is based on an academic year rather than a calendar award year. Once the student has reached the annual loan limit, he or she cannot receive another Stafford Loan until he or she begins another academic year. If a loan is certified after the beginning of an enrollment period, the loan may retroactively cover the entire period of enrollment, as long as that period does not exceed the maximum loan period allowed or extend into a prior academic year.

There are two types of academic years a school can use, the scheduled academic year (SAY) and the borrower-based academic year (BBAY). Clock-hour and nonterm credit-hour programs must use the BBAY. Only term-based credit-hour programs use the SAY. A term-based credit-hour program may use the BBAY if the program's academic year provides for at least 30 weeks of instruction.

The SAY is a fixed period of time that generally begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of spring semester). The SAY normally corresponds to the academic year or the calendar published in the school's catalog and other materials.

For a school using the SAY, a summer term may be part of the academic year before that term (trailer), or it may be part of the academic year that follows that term (header or leader). The school can establish a strict policy that designates summer terms as always trailers or headers, or the school can determine whether a summer term is a trailer or header on a program-by-program basis. Summer mini-sessions can be grouped as a single trailer or leader, or they can be treated separately and assigned to different SAYs.

The BBAY is not a set period like the SAY. The BBAY begins and ends depending on the individual student's enrollment and progress. A school that enrolls new students every month might use a BBAY for each student that begins in the month the student enrolls.

For term-based credit-hour programs, a school may elect to use BBAYs for all of its students or just for students enrolled in certain programs, or it may use BBAYs on a student-by-student basis. The school can also alternate BBAYs with SAYs for its students, but the academic year must not overlap.

A school that chooses this option for academic year standards must have a written policy that explains how it is applied when calculating loan eligibility.

The BBAY must have the same number of terms as the SAY the school would normally use, excluding any summer trailer or leader. The BBAY can include terms and mini-sessions the student does not attend if the student could have enrolled at least half time in those terms or mini-sessions. The BBAY, however, must begin with a term in which the student actually enrolled. Also, any mini-sessions that run consecutively must be combined and treated as a single term. If the BBAY includes a summer term, the BBAY does not have to meet the 30-week minimum requirement for an academic year.

For a clock-hour or nonterm program, the BBAY begins when the student enrolls. The BBAY must contain at least 30 weeks of instructional time and an applicable number of credit or clock hours (24 semester or trimester hours, 36 quarter hours, or 900 clock hours). The BBAY does not end until the student has completed the required number of weeks and the number of hours in the academic year. It will take longer for a student who is attending less than full time to complete the academic year than it would for a full-time student.

Example

The Springfield Academy offers a two-year program measured in semesters and awarding credit hours. It defines its academic year as two semesters providing 30 weeks of instruction. Springfield has fall, spring, and summer sessions, but most of its students do not attend the summer session. Therefore, Springfield Academy uses a Scheduled Academic Year (SAY) that starts September 7 and concludes May 15 and certifies most loans for that period of enrollment.

Springfield Academy has decided to offer an accelerated version of this two-year program that allows students to attend full time during the fall, spring, and summer sessions. Springfield Academy will use a Borrower-Based Academic Year (BBAY) for students in the accelerated program. For students beginning in the fall session, the first year will start September 7 and conclude May 15. The second academic year will begin May 20 and conclude December 22.

Take a Look

- See Chapter 1 for information on loan limits.

Annual Loan Limits

The annual loan limits for FFEL Program loan borrowers restrict how much a student can borrow in a single academic year. Once a student has reached the annual loan limit, he or she cannot receive another subsidized or unsubsidized FFEL Program loan until he or she begins another academic year. The annual loan limits for dependent undergraduate students, independent undergraduate students, and graduate students are explained in detail in Chapter 1.

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A student who has been awarded one FFEL subsidized or unsubsidized loan within an academic year and who has not reached the aggregate FFEL limits may receive another loan if he or she has not reached the annual limit. A student who has borrowed up to his or her annual loan limit within an academic year and who has not reached the aggregate FFEL limits may receive another loan if his or her annual limit is increased, either because he or she moves up to another grade level with a higher limit or because his or her dependency status changed from dependent to independent. In these two instances the student may borrow up to the difference between the previously identified loan limit and the amount already borrowed.

Dependency Status

A student's dependency status is determined by the information a student reports on the FAFSA. The FFEL Program loan amounts available to students are tied to the student's grade level and dependency status. Independent students have higher loan limits than dependent students.

A student is considered dependent if he or she can answer "No" to all of the following questions:

1. Will you be at least 24 years old by December 31 of the award year?
2. Will you be working on a master's or doctorate program?
3. Are you married (students who are separated but not divorced should answer "yes")?
4. Do you have children who receive more than half of their support from you?
5. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you now and through the award year?
6. Are you an orphan or ward of the court or were you a ward of the court until age 18?
7. Are you a veteran of the U.S. Armed Forces?

If a student answers "Yes" to just one of these questions, he or she is not a dependent student and is classified as an independent student. An independent student is eligible for higher loan limits than a dependent student.

- The parent of an independent student cannot borrow a Federal PLUS Loan for the student.

Take a Look

• See page 4-20 for a sample calculation of the amount of PLUS Loan that a parent may borrow on behalf of a dependent student.

- The parent of a dependent student is eligible to apply for a Federal PLUS Loan for the student.

Requested Loan Amount

A student attending a foreign school will need to provide the school with information about how much he or she wishes to borrow. It is recommended that a school obtain this information in writing from the student.

Loan Certification

Along with the MPN or PLUS application/promissory note, a school must provide a loan certification to the lender. A foreign school may submit the certification by completing a paper Federal Stafford Loan School Certification form, unless it has electronic access. A copy of the certification form appears in Appendix F.

Take a Look

- See Appendix F for a copy of the loan certification form.

In addition to providing school and borrower information (name, address, phone number, etc.) on the certification form, a school must provide the borrower's:

- grade level;
- enrollment status;
- anticipated (completion) graduation date;
- loan period;
- certified loan amounts (in U.S. dollars); *and*
- recommended disbursement date.

Note: Only one disbursement is required for students attending foreign schools

As part of the school certification, the school certifies that the borrower:

- is an eligible borrower according to U.S. laws and regulations;
- is accepted for enrollment on at least a half-time basis and is making satisfactory academic progress; *and*
- is eligible for the loan(s) in the amount(s) certified.

The school must ensure that:

- the SAR does not indicate that the student or parent is in default on a Title IV loan;

Take a Look

- See Chapter 3 for information on certifying a borrower's eligibility.

- the student (or student and parent) has certified that he or she is not in default on a Title IV loan and does not owe a refund on any Title IV overpayment (the student and parent make this certification by signing the FAFSA); *and*

- the educational program and location are eligible.

Before completing the certification form, a school must also:

- confirm the student's dependency status and Social Security number (SSN);

- confirm that the student's SSN was matched with the records of the U.S. Social Security Administration; *and*

- check the financial aid history of a student who previously attended another school.

Although schools are no longer required to provide need analysis information to the lender, the school must determine the student's COA, EFC, and EFA, and document this information in the student's file. This information must be made available to the lender, guarantor, or ED upon request.

The school may not certify a loan for more than the least of the following amounts:

- the amount the borrower requests;

- the student's unmet financial need (in the case of a subsidized loan);

- the student's COA less his or her EFA (for unsubsidized and Federal PLUS Loans);

- the student's COA; *and*

- the borrower's maximum borrowing limit.

Refusal to Certify

A school administrator may refuse to certify an eligible FFEL borrower's loan application if the reason for the refusal is documented and provided in writing to the student. Similarly, the school administrator may certify a loan for an amount less than the student would be eligible to receive if the reasons for doing so are documented and explained to the student in writing.

Take a Look

- See Chapter 2 for cash management requirements.

Payment to the Borrower

The cash management requirements described in Chapter 2 govern a school's management of FFEL Program funds. These requirements establish rules and procedures a school must follow in disbursing and managing FFEL funds. A school should carefully read these requirements and ensure it is in compliance.

Disbursement Methods

Lenders may disburse funds to the school or directly to the borrower enrolled at a foreign school. If the lender disburses the funds directly to the borrower, the lender is required to notify the school of the disbursement and provide the name and SSN of the student and the name and SSN of the parent borrower for a Federal PLUS Loan.

Some lenders will send individual checks to the school for each loan that is being disbursed for a student. The student must then endorse the loan check. In this case, the school acts as trustee for the lender, and the funds must be deposited in an account meeting the requirements of 34 CFR 668.163.

For an electronic funds transfer (EFT) or a master check, the lender must provide a list of the names, SSNs, and loan amounts of the borrowers whose payments are considered a part of those funds. If a school has multiple borrowers, a lender may use an EFT or a master check to send a single disbursement to the school.

Loan Counseling

The Higher Education Act of 1965, as amended, and FFEL Program regulations require schools that participate in the FFEL Program to provide entrance counseling and exit counseling to students who borrow FFEL Program loans.

Take a Look

- Appendix D has a listing of guaranty agencies and their Web sites. Most agencies have loan counseling materials available through their Web sites.

Loan counseling is critical, because new students often have little or no experience with repaying and managing debt. A school is not required to offer loan counseling to parents who borrow from the Federal PLUS Loan Program.

Through a contract with the school, a consultant, a servicer, a lender, or a guaranty agency may also provide counseling. There are many ways to deliver entrance and exit counseling and to reinforce it through continuing contact with the student borrowers. Many guaranty agencies, lenders, and other organizations provide schools with pamphlets, videos, Web-based tools, and other materials to help school administrators provide effective loan counseling.

If a school uses Web-based counseling, it must ensure that a knowledgeable staff member is available to answer questions from student borrowers.

Regardless of the counseling methods a school uses, it must be sure to document that the student received entrance counseling. The documentation may consist of the student's certification on a copy of the "Borrower's Rights and Responsibilities" that he or she has received entrance counseling. A school usually obtains confirmation that the student has completed an online counseling session through a printout, electronic message, or other means.

Entrance Counseling Requirements

A school participating in the FFEL Program must provide entrance counseling to student borrowers before disbursing funds, unless:

- the borrower previously received a subsidized or unsubsidized Direct or FFEL Program loan *or*
- the borrower is enrolled in a correspondence program (however, schools must mail written counseling materials before disbursing funds).

When entrance counseling is required, schools must conduct it:

- in person;
- by audiovisual presentation (for example, using a video); *or*
- by computer-assisted technology (for example, using a Web site that students can access from off campus).

In all cases, schools must ensure that an individual with knowledge of the FFEL Program is reasonably available to students after the counseling to answer their questions, and schools must document that each student received the required counseling.

If a student borrower is enrolled in a correspondence program, the school must mail counseling materials to the borrower before disbursing FFEL funds.

During entrance counseling, a school must:

- emphasize to student borrowers the seriousness and importance of the loan repayment obligations they are assuming;
- describe "in forceful terms" the likely consequences of default, including damaged credit ratings, legal action taken, or wage garnishment;
- provide the average amount of indebtedness of students who have obtained subsidized and unsubsidized FFEL Program loans to attend the school or enroll in the student's program of study; *and*

- provide the average anticipated monthly payments for the school's students on the basis of the students' average indebtedness.

ED recommends that schools remind student borrowers:

- to keep the lender informed of any changes in name, address, telephone number, SSN, employer, or enrollment status *and*
- that they are obligated to repay the full amounts of their loans, plus interest, even if they:
  - do not complete their programs of study (unless the school closed or falsely certified their FFEL Program loan);
  - do not like their school or program of study; *or*
  - do not obtain employment after completing their program of study.

Laws & Regulations

- 34 CFR 682.604(f)

Schools also should:

- review critical information by having borrowers answer written questions developed by the school or provided by a lender or guarantor;
- counsel borrowers on budgeting and other aspects of personal financial planning;
- review provisions for loan deferment, forbearance, and discharge;
- review repayment plans;
- inform borrowers that there is no penalty for early repayment (prepayment) of their loans;
- review borrowers' rights and responsibilities, which are included with their promissory notes;
- review all loan terms and conditions, including interest rates and loan fees; *and*
- remind borrowers to contact their lender if they have questions or any difficulty making a payment.

Exit Counseling Requirements

A school must provide in-person exit counseling to students who borrow FFEL Program loans. A school does not have to offer exit counseling to parents who borrow Federal PLUS Loans.

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Exit counseling must take place shortly before a student borrower graduates, withdraws, or, for any other reason, stops attending the school at least half time.

There are three exceptions to the requirement for conducting exit counseling in person.

- A school is allowed to use computer-assisted means to conduct exit counseling.
  - The electronic exit counseling does not have to take place at the school. For example, a school may provide personalized exit counseling through a Web site that students can access from off campus. However, the school must document that the exit counseling took place and that knowledgeable personnel were available to answer questions.

Laws & Regulations

- 34 CFR 682.604(g)

- If a student borrower is enrolled in a correspondence program, the school must mail written exit counseling material to the student within 30 days after he or she completes the program.
- If a borrower withdraws from school without the school's prior knowledge, or if a borrower does not attend a scheduled exit counseling session, a school must mail written exit counseling material to the borrower at his or her last known address.
  - These materials must be mailed within 30 days after a school learns that the borrower has graduated, withdrawn, or fallen below half-time enrollment or has not attended the scheduled counseling session.

A school must maintain documentation in the borrower's file to show that a student borrower received the required exit counseling in person, by electronic means, or by mail.

When conducting exit counseling, a school is responsible for:

- informing the student borrower of the average anticipated monthly payments for his or her loans based on either the student's actual debt or the average indebtedness of students at the school or in the student's program;
- reviewing the available repayment plans and loan consolidation;
- suggesting debt-management strategies that will help the borrower repay his or her loans successfully;
- reviewing the conditions under which the borrower may defer repayment or discharge loans;

- requiring the borrower to provide any changes to the school's records about his or her:
  - name, address, and SSN;
  - references;
  - driver's license number and state where it was issued (if applicable); and
  - name and address of expected employer (if known).
- emphasizing the seriousness and importance of the repayment obligation;
- describing "in forceful terms" the likely consequences of default, including a damaged credit rating, legal action being taken against the borrower, forced repayment by wage garnishment, and income tax refunds being withheld;
- explaining to the borrower how to contact his or her lender; *and*
- providing information about the availability of the Student Financial Assistance Ombudsman's office, a resource for resolving student loan program issues.

Web Site

- http://ombudsman.ed.gov or http://sfahelp.ed.gov

ED also recommends that a school's exit counseling sessions include:

- reminding borrowers to keep their lender(s) informed of any changes in name, address, telephone number, employer, or enrollment status that might occur;
- reminding borrowers that they are obligated to repay the full amounts of their loans, plus interest, even if they:
  - do not complete their programs of study (unless the school closed or falsely certified an FFEL Program loan);
  - do not like their school or programs of study; or
  - do not obtain employment after completing their programs of study;
- reviewing critical information by having students complete review exercises;
- counseling borrowers on budgeting and other aspects of personal financial planning;

- reviewing loan provisions for deferment, forbearance, and discharge;
- informing borrowers that there is no penalty for repaying their loans early (prepayment);
- reviewing borrowers' rights and responsibilities;
- reviewing loan terms and conditions, including interest rates and loan fees; *and*
- reminding borrowers to contact their lender if they have questions or any difficulty making a payment.

Returning FFEL Program Funds

Take a Look

- See Chapter 2 for information on the cash management regulations and Chapter 5 for returning funds when a student withdraws.

The cash management regulations establish specific time frames for schools to disburse FFEL Program funds received from the lender and to return funds to the lender. See Chapter 2 for a discussion of the cash management regulations.

When a student withdraws from all classes after establishing eligibility and receiving FFEL funds, a portion of the funds may have to be returned. See Chapter 5 for more information.

Reporting Requirements

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

Laws & Regulations

- 34 CFR 682.210

Certifying Deferment Requests

A deferment is a period of time when payments of principal (and possibly interest) on a loan are postponed and, for subsidized Stafford Loans, interest subsidy payments are made by the U.S. government. Once a borrower enters repayment, a borrower may receive a deferment if he or she meets the requirements that have been established for one. The borrower must request a deferment either verbally or on a form provided by the lender or ED. A borrower must also provide documentation to support his or her request for a deferment.

Take a Look

- See Appendix F for a copy of the FFEL In-School Deferment form.

A deferment for at least half-time study at an eligible school is commonly referred to as an in-school deferment. A foreign school that has been certified by ED as an eligible institution, whether or not it is participating in the FFEL Program, is an eligible school for the purpose of an in-school deferment for the FFEL, Federal Direct Loan and Federal Perkins Loan programs.

Reference

- *SSCR Users Guide*

Student Status Confirmation Report

The Student Status Confirmation Report (SSCR) is used to update the National Student Loan Data System with a school's FFEL Program student borrower data. It is important that schools complete the SSCR accurately and submit it in a timely manner. Even if a school uses a third-party servicer, the school is ultimately responsible for the performance of the third-party servicer in handling SSCR responsibilities. Student enrollment information reported on the SSCR is used to determine:

- the beginning date of a borrower's grace period *and*
- the date that a borrower will begin or resume making scheduled loan payments.

Paper SSCR Requirements

Most foreign schools will receive paper SSCRs directly from guaranty agencies. Within 30 calendar days of receiving the SSCR, the school must review the data, make any necessary changes, and return the SSCR with the changes.

Electronic SSCR Requirements Through NSLDS

A school that is fully operational in reporting SSCR data to NSLDS will receive the SSCR electronically or on tape. The school must update the information where necessary and return the SSCR within 30 days. NSLDS receives the updated file and makes the necessary changes.

Schools that do not comply with the 30-day requirement may be subject to actions from ED. ED sends "overdue letters" to schools if they have not complied on time. These letters remind schools of their SSCR obligations and ED's enforcement options.

Exit Counseling Reporting

Shortly before FFEL Program student borrowers withdraw, graduate, or drop below half-time enrollment, they are required to update information in a school's records concerning:

- name;
- address;
- SSN;
- personal references;
- driver's license number and state where it was issued (if the borrower has a license); *and*

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- name and address of the expected employer (if known).

Schools are required to report this updated exit information to the student's guaranty agency within 60 days of receiving it.

Exchange of Information Requirements for Collecting Loans

If ED requests, a school or its third-party servicer must promptly provide ED with any information about the last known address, full name, telephone number, enrollment information, employer, and employer address of FFEL fund recipients who attend or attended the school. A school must also provide this information, on request, to a lender or guaranty agency to assist with updating the guaranty agency's records, skip tracing, and collecting loans. The student provides the authorization to release information when he or she signs the MPN. See Appendix F for a copy of the MPN.

Overview of the Stafford Loan Process

- **Student Applies for Aid.** The student fills out the Free Application for Federal Student Aid (FAFSA) or a renewal FAFSA.
- **School Determines Eligibility and Loan Amount.** The school confirms the student's eligibility for FFEL Program loans and determines the loan period and loan amount.
- **Student Completes the Master Promissory Note.** The student completes the MPN and returns it to the lender or the guaranty agency. The Borrower's Rights and Responsibilities Statement must be given to the borrower with the MPN.
- **Certification.** The school certifies the student's loan eligibility and notifies the lender or guaranty agency.
  - The loan is approved by the lender or guaranty agency.
- **Disclosure.** Either before or at the time of the first disbursement, the borrower must be given a disclosure statement with specific information about the type(s) of loans he or she is receiving, anticipated disbursement amount(s), anticipated disbursement date(s), and instructions on how to cancel the loan(s). The disclosure is usually provided by the lender.
- **Payment to the Borrower.** The loan proceeds are disbursed to the student by either the lender or the school. The school must ensure that the borrower is still eligible at the time of disbursement.

School Checklist for Loan Certification

For a subsidized Stafford Loan, the school must:

- use an official EFC calculated by ED to determine the student's financial need.

For any Stafford Loan, the school must:

- certify that the student is an eligible borrower;
- confirm a student's SSN and dependency status;
- obtain a requested loan amount in writing from the borrower;
- determine a student's COA, EFC, and EFA and document them in the student's file;
- for an unsubsidized Stafford Loan, first determine the student's eligibility for a subsidized Stafford Loan;
- ensure that the loan disbursement schedule on the MPN meets the disbursement requirements for Stafford Loans; *and*
- prorate Stafford Loans for programs of study in which the remaining period of study is less than an academic year in length.

For any Stafford Loan or PLUS Loan, the school must:

- determine the student's enrollment status and satisfactory academic progress;
- ensure that the student (or both the student and parent in the case of a Federal PLUS Loan) has certified that he or she is not (and per his or her SAR is not) in default on any Title IV loan and does not owe a refund on any Title IV funds;
- review the student's financial aid history to ensure that the loan(s) will not exceed the annual or aggregate loan limits applicable to the borrower; *and*
- also ensure that the amount of the subsidized loan, in combination with other aid, will not exceed the student's financial need and ensure that the amount of any unsubsidized loan or PLUS Loan, in combination with other aid (including a subsidized loan), will not exceed the student's COA.

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Loan Calculation Examples

Dependent Undergraduate Student Example

Jennifer, a first-year student at City College of Drama, applies for a Stafford Loan to attend an institution with an enrollment period beginning in September. She has filed the FAFSA, and the College administrator has reviewed her SAR and confirmed that Jennifer is an eligible dependent student with an Expected Family Contribution (EFC) of $10,000.

Tuition for the enrollment period at City College of Drama is $7,500. Room and board charges are $3,500. Books and supplies are estimated at $400, estimated loan fees are $100, and the school estimates that travel costs are approximately $500 for the enrollment period. Jennifer's cost of attendance (COA) is, therefore, $12,000.

The College administrator subtracts the EFC from the COA to determine that Jennifer's need is $2,000. Jennifer is not receiving any other estimated financial assistance (EFA), so she may borrow a subsidized Stafford Loan of $2,000.

$12,000	COA
- 10,000	EFC
- 0	EFA
$ 2,000	Need for Subsidized Stafford Loan

Jennifer may also apply for an unsubsidized Stafford Loan of $625, which is the difference between the amount of her subsidized Stafford Loan ($2,000) and the Stafford Loan limit ($2,625) for a first-year undergraduate.

If Jennifer chooses to borrow the entire $2,625 in subsidized and unsubsidized Stafford Loans, her parents will be able to borrow a PLUS Loan of $9,375, which is the difference between the amount of her combined Stafford Loans ($2,625) and her COA ($12,000).

$12,000	COA
- 2,625	EFA
$ 9,375	PLUS Loan Eligibility

Independent Graduate Student Example

Jonathan is a graduate student at National University. His COA for the enrollment period is $15,000. He has filed the FAFSA, and his EFC is $9,000.

Jonathan qualifies for a subsidized Stafford Loan of $6,000. He may also apply for an unsubsidized loan of $9,000 ($2,500 remaining under his initial graduate Stafford Loan limit of $8,500, plus an additional $6,500 on his unsubsidized Stafford Loan). The total annual loan limit for a graduate student is 18,500, but since his COA is only $15,000, the maximum he may borrow for the academic year is $15,000.

Chapter

5

Return of Title IV Funds

Background

The Higher Education Amendments of 1998, Public Law 105-244 (the Amendments of 1998), substantially changed the way funds paid toward a student's education are handled when a recipient of Title IV funds withdraws from school. Final regulations published November 1, 1999, implemented these statutory requirements. All schools, including foreign schools, were required to implement these provisions by October 7, 2000.

The old provisions required schools to use specific refund policies when a Title IV fund recipient withdrew. The school determined the amount of institutional charges earned, the unearned amount, and the amount to be refunded. In addition, the old provisions specified an order of return of unearned funds from all sources of aid, not just Title IV programs.

The new requirements do not dictate an institutional refund policy. Instead, a statutory schedule is used to determine the amount of Title IV funds a student has earned as of the date he or she stops attending school. The amount of Title IV program assistance earned is based on the amount of time the student attended. It has no relationship to the student's incurred institutional charges. Because these requirements deal only with Title IV funds, the order of return of unearned funds no longer includes funds from sources other than Title IV programs.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA 1998

Applicability to Foreign Schools

Foreign schools participating in the Federal Family Education Loan (FFEL) Program are subject to the requirements of the treatment of Title IV funds when a student withdraws. This chapter does not address other forms of Title IV aid, since U.S. students who attend foreign schools only receive FFEL Program loans.

Laws & Regulations

- 34 CFR 682.207(b)(1)(v)

Required Lender Notification of Disbursements Made Directly to Students

A lender making a direct disbursement to a student attending a foreign school must notify the school that the disbursement was made. This provision was added to the regulations, because a foreign school would not necessarily know that a student had received a disbursement directly from a lender and would not be able to properly determine the return of FFEL funds if the student withdrew.

Take a Look

- See Chapter 2 for more information about lender notification of disbursements.

Schools Not Required to Collect Unearned FFEL Funds from a Student

When a school determines that a student is responsible for returning unearned loan funds, the student returns the funds in accordance with the original terms of the loan as outlined on his or her promissory note. In other words, the student repays the unearned loan funds in the same manner that he or she repays the earned loan funds. Therefore, since students attending foreign schools receive only FFEL Program funds, a foreign school is not required to take any action toward collecting unearned FFEL funds from a student who withdraws. However, a foreign school must notify the lender of the student's withdrawal date so the lender can properly determine when the student enters repayment.

School's Responsibility to Return FFEL Funds

FFEL Program funds are used to pay institutional charges first, and schools are responsible for returning the unearned portion of those funds when a student withdraws. Note that whether or not FFEL funds are really used to pay institutional charges (for example, credited to a student's school account) does not affect a school's responsibility for returning all or a portion of unearned FFEL funds. So, even though a lender may disburse the FFEL loan funds directly to a student, the school may still have to return a portion of any unearned funds. This is particularly important for foreign schools to understand, because many students attending foreign schools receive their FFEL Program funds directly from the lender. For this reason, the school should collect all institutional charges, up to the total amount of FFEL funds disbursed, as soon as possible from the student.

A school is responsible for returning the lesser of:

- the full unearned amount of a student's FFEL funds *or*
- the amount of institutional charges multiplied by the unearned percentage of FFEL funds.

Nothing prohibits a school from requesting payment from a student for repayments the school was required to make under these provisions. However, the best way for a school to limit its exposure is to collect payment for tuition, fees, and other institutional charges from a student as soon as possible.

Some schools do not charge any institutional charges (tuition, fees, and other charges by the school) to students. In this case, a school is not responsible for returning any portion of unearned FFEL Program funds when a student withdraws. Further, because the unearned funds the student is responsible for returning (which in this case equal the full amount of unearned funds) are loan funds repaid in accordance with the original terms of the loan, no school collection action is required. The school must still determine whether a

student has received all of his or her earned FFEL funds. If not, the school must determine if a post-withdrawal disbursement of the earned funds the student has not yet received must be made. In addition, the school must report the student's withdrawal date to the lender.

Post-Withdrawal Disbursements

If a student who withdraws has not received all of his or her earned FFEL Program funds, the school must determine whether a post-withdrawal disbursement must be made. Because FFEL loans made to students who attend foreign schools are not required to be disbursed in more than one installment, most students receive all of their loan funds in one installment. If this is the case, there will be no post-withdrawal disbursement due the student because all the loan funds have been received by him or her. However, the school must determine whether any of the disbursed funds are unearned and must be returned to the lender.

Laws & Regulations

- 34 CFR 668.164(g)

Schools are prohibited from making a late second and subsequent disbursement of an FFEL loan to a student who is no longer enrolled at least half time unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. This also applies to post-withdrawal disbursements; that is, no second or subsequent disbursement of an FFEL loan may be made post-withdrawal.

General Requirements

If a recipient of FFEL Program loan funds withdraws from a school after beginning attendance, the amount of assistance earned by the student must be determined. If the amount disbursed to the student is greater than the amount the student earned, unearned funds up to the amount of institutional charges must be returned by the school. If the amount disbursed to the student is less than the amount the student earned, and the student is otherwise eligible, he or she is eligible to receive a post-withdrawal disbursement of the earned aid that was not received.

The change to the law makes clear that FFEL Program funds are awarded to a student under the assumption that the student will attend school for the entire period for which the assistance is awarded. When a student withdraws, the student may no longer be eligible for the full amount of FFEL Program funds that he or she was originally scheduled to receive.

Up through the 60 percent point in each payment period or period of enrollment, a *pro rata* schedule is used to determine the amount of FFEL funds that a student has earned at the time of withdrawal. After the 60 percent point in the payment period or period of enrollment, a student has earned 100 percent of the FFEL funds.

The new requirements do not prohibit a school from developing its own refund policy or complying with refund policies required by outside agencies.

Although an institutional or accrediting agency refund policy will determine the charges a student will owe after withdrawing, those policies will not affect the amount of aid the student has earned under the return of Title IV funds calculation.

Schools are still required to provide students with the details of all refund policies applicable at the institution as well as information on the requirements for determining the amount of Title IV funds a student has earned when he or she withdraws.

Consumer Information

A foreign school must make available upon request to prospective and enrolled students a statement of:

- any refund policy;
- the requirements for the treatment of FFEL loan funds when a student withdraws; *and*
- the requirements and procedures for officially withdrawing from the school.

Reference

- 34 CFR 668.43

Take a Look

- See Chapter 2 for additional consumer information requirements.

Because these new provisions no longer affect institutional refund policies, the school must provide the student with information on both the Title IV requirements and the school's refund requirements. A school should include some discussion of how the Title IV requirements and the school's refund requirements interact, including how the school might adjust a student's charges to take into account repayments of Title IV funds that the school was required to make.

Definition of a Title IV Recipient

For purposes of these requirements, a Title IV recipient is a student who has actually received Title IV funds (grant or loans) or has met the conditions that entitle the student to a late disbursement.

Please note that if a student never actually begins attendance for the payment period or period of enrollment, the return of Title IV funds requirements do not apply. Likewise, if a student began attendance but was not and could not have been disbursed Title IV loan funds prior to withdrawing, the student is not considered to have been a Title IV recipient and these requirements do not apply.

Rounding

Monetary amounts are to be reported in U.S. dollars and cents using standard rounding rules to round to the nearest penny. Final repayment amounts that the school and student are each responsible for returning may be rounded to the nearest dollar.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Percentages are calculated to three decimal places. The third decimal place is rounded up if the fourth decimal place is 5 or more. For example, .4486 would be rounded to .449, or 44.9 percent.

The one exception to this rule is in determining the percentage of Title IV funds earned. Students who withdraw at any point after the 60 percent point in the payment period or period of enrollment have earned 100 percent of their Title IV funds. If the standard rounding rules were used in this situation, a quotient of .6001 through .6004, which is greater than 60 percent, would be rounded down to .600 (60 percent). Therefore, to recognize that students completing more than 60 percent of the period (by any amount) earn 100 percent of their Title IV funds, amounts of .6001 through .6004 are not rounded for the purpose of determining whether a student has earned 100 percent of the Title IV funds for the term.

Date of the Institution's Determination That the Student Withdrew

Some aspects of the withdrawal process cannot occur until the school is aware that the student has withdrawn. For example, a school cannot be expected to return FFEL funds for a student who withdraws unless the school knows that the student is no longer in attendance. The date of the institution's determination that the student withdrew captures the point in time when a school could reasonably be expected to be aware that a student has withdrawn.

The date of the institution's determination that the student withdrew varies depending on the type of withdrawal. For example, if a student begins the official withdrawal process or provides official notification to the school of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be either the student's withdrawal date or the date of the student's notification, whichever is later. If a student does not begin the official withdrawal process or provide notification of his or her intent to withdraw, the date of the institution's determination that the student withdrew would be the date that the school becomes aware that the student has stopped attending. The types of withdrawal and the corresponding definition of the date of the institution's determination that the student withdrew are listed in the chart on withdrawal dates on page 5-43 of this chapter.

Take a Look

- See page 5-43 for a chart on withdrawal dates.

Note: For a student who withdraws without providing notification to the school, the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) the payment period (see definition of payment period in the next section) or the period of enrollment (as applicable), (2) the academic year, or (3) the student's educational program.

As noted above, the date of the institution's determination that the student withdrew is not necessarily the same as a student's withdrawal date. A student's withdrawal date is used to determine the percentage of the period

of enrollment completed and, therefore, the amount of aid a student has earned. The date of the institution's determination that the student withdrew is used in the following circumstances:

- A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account to the student or parent within 30 days of the date of determination.
- If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must disburse the funds in the manner specified by the student or parent within 90 days of the date of determination.
- A school must document a student's withdrawal date and maintain the documentation as of the date of determination.
- The school must return the amount of FFEL funds for which it is responsible no later than 30 days after the date of determination.
- The amount of aid disbursed as of the date of determination is used to determine the amount of unearned aid that must be returned.

Use of Payment Period or Period of Enrollment

The calculation worksheets require that a school indicate whether the calculation is being done on the basis of a payment period or a period of enrollment. For students who withdraw from standard term-based educational programs (semester, trimester, or quarter), a school must determine the treatment of the student's FFEL Program assistance on a payment-period basis. For students who withdraw from a nonstandard term-based or a nonterm-based educational program, the school has the choice of determining the treatment of the student's FFEL Program assistance on either basis. The institution must use the calculations for all students within a program who stop attending.

Payment Period

Under the payment period definition, there are two sets of requirements; one for term-based credit-hour programs and one for nonterm credit-hour programs and clock-hour programs.

For a program offered in semester, trimester, quarter, or other nonstandard academic terms and measured in credit hours, the payment period is the term. For example, if a loan period includes all three quarters of an academic year, the loan must be disbursed in three substantially equal payments.

Programs that are offered in modules are not counted as programs measured in terms. The phrase *"other academic terms"* (also known as nonstandard terms) refers to those structured educational intervals at a school that do not fit into a normally defined semester, trimester, or quarter term. For example, other academic terms could include six five-week terms. A school may choose to group modules together and treat the entire period as a standard term.

Payment periods for programs measured in credit hours without terms and all clock-hour programs vary depending on whether the length of the program is:

- one academic year or less;
- a multiple of a full academic year;
- longer than an academic year with a remainder shorter than or equal to one half of an academic year; *or*
- longer than an academic year with a remainder shorter than an academic year but longer than one half of an academic year.

Payment Periods for Nonterm Credit-Hour Programs and All Clock-Hour Programs Longer Than One Academic Year

Program Length	First and Subsequent Full Academic Years		Remainder of Program	
	1st Payment Period	2nd Payment Period	1st Payment Period	2nd Payment Period
Multiples of a full academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	N/A	N/A
Longer than an academic year, remainder shorter than or equal to half an academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	Period of time in which a student completes the remainder of the program	N/A
Longer than an academic year, remainder shorter than an academic year but longer than half an academic year	Period of time in which a student completes the first half of the academic year	Period of time in which a student completes the second half of the academic year	Period of time in which the student completes the first half of the remainder of the program	Period of time in which a student completes the second half of the remainder of the program

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Definition of Coursework

The term "academic coursework" does not necessarily refer to credits. It may refer to the lessons or other measures of learning within a course. For instance, for a course made up of 40 equal lessons, the student reaches the halfway point in the coursework after completing 20 lessons.

- If the student completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- If the student completes the first 20 lessons after the calendar midpoint of the academic year, the second payment period does not begin until the student completes the first 20 lessons.

Period of Enrollment

For students who withdraw from a nonstandard term-based or nonterm-based educational program, the school has the choice of determining the treatment of the student's FFEL Program assistance on either a payment-period basis or a period-of-enrollment basis. A school must use the chosen period consistently for all students in the program.

Applicability

The use of a payment period or a period of enrollment is important for many aspects of the calculation. For example, if a school is determining the treatment of FFEL funds on a payment-period basis, the student's FFEL Program assistance to be used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period. Also, the institutional charges used in the calculation must reflect the charges for the payment period.

Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

Generally, the higher the institutional charges, the greater the amount of unearned aid that is to be returned by the school. In some cases this mitigates against a school using the period of enrollment as the basis for the return of Title IV funds calculation. An institution may prorate the charges for the period of enrollment to correspond to a payment period if the institution has elected to use the payment-period basis rather than the period-of-enrollment basis for the return calculations.

Nonterm and nonstandard-term schools should carefully examine the demographics of the students who withdraw, choose the basis (payment or enrollment) for the return calculations that best fits their situations, and appropriately adjust their policies and procedures manuals.

If, for a nonterm or nonstandard-term program, a school chooses to calculate refunds on a payment-period basis, but the school charges for a period longer

than a payment period (for example, period of enrollment), total institutional charges for the period will be the greater of:

- the prorated amount of institutional charges for the period *or*
- the amount of FFEL funds retained for institutional charges as of the student's date of withdrawal.

Step 1: Student's Title IV Aid Information

The return of Title IV funds worksheet begins by gathering information about the student's Title IV aid grant and loan assistance.

Funds to Include in the Calculation

The calculation of earned Title IV program assistance includes all FFEL loan funds that were disbursed or that could have been disbursed to a student.

Title IV Aid Disbursed

Generally, a student's FFEL loan funds are disbursed when the lender disburses the check directly to the borrower or when a school credits a student's account with the funds or pays a student or parent directly with:

- FFEL funds received from a lender *or*
- institutional funds labeled as FFEL funds in advance of the school receiving actual FFEL funds.

A student's aid is counted as "disbursed" for the calculation if it is disbursed as of the date of the institution's determination that the student withdrew. A school may not alter the amounts of FFEL funds that were disbursed prior to its determination that the student withdrew.

Exceptions

Because of other Title IV program requirements, there are two instances when crediting institutional funds labeled as Title IV program funds to a student's account in advance of receiving the actual Title IV program funds does not result immediately in a Title IV disbursement.

- If a school credits a student's account with the institutional funds in advance of receiving Title IV program funds earlier than 10 days before the first day of classes of a payment period, the Title IV disbursement does not occur until the 10th day before the first day of classes.
- For a student whose loan funds are subject to the 30-day disbursement delay, if a school credits the student's account with institutional funds in advance of receiving Title IV program funds

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

earlier than 30 days after the first day of the payment period, the Title IV disbursement does not occur until the 30th day after the beginning of the payment period.

Title IV Aid That Could Have Been Disbursed

In addition to aid disbursed, aid that could have been disbursed is also used in the calculation. FFEL funds that could have been disbursed are loan funds for which the student meets the conditions for a late disbursement.

A school must calculate the amount of earned FFEL funds by applying a percentage to the total amount of FFEL Program assistance that was disbursed or that could have been disbursed. Under Step 1 of the worksheet, a school fills in the amount of each type of aid that was disbursed or that could have been disbursed. When entering the amount of loan funds, a school should enter the net amount disbursed or that could have been disbursed. The determination of which funds were disbursed and which funds could have been disbursed is made as of the date of the school's determination that the student withdrew.

Second or Subsequent FFEL Disbursements

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

A second or subsequent FFEL disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid if the institution would not have been prohibited from making the disbursement on or before the day the student withdrew. However, a student can never receive as a post-withdrawal disbursement funds made up all or in part by a second or subsequent FFEL disbursement.

A school must include in the return of funds calculation any second or subsequent disbursement that the institution could legally have made but did not make on or before the day the student withdrew.

Consider a student who completed 500 clock hours in a 900 clock-hour program and passed the midpoint in calendar time of the loan period. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. Half of the Stafford Loan was disbursed at the beginning of the first payment period, and the student was scheduled to receive the second half in the second payment period. Although the student completed half of the clock hours and passed the midpoint in calendar time of the loan period and was otherwise eligible to receive the second installment of the loan, the second disbursement of the loan was not disbursed before the student withdrew. Because the institution was not prohibited from making the second disbursement on or before the day the student withdrew, the second disbursement of the loan is included as *aid that could have been disbursed* in the calculation of earned Title IV aid.

However, the late disbursement regulations [34 CFR 668.164(g)(2)] prohibit an institution from making a second or subsequent disbursement of an FFEL.

Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. The return of Title IV aid requirements, including the post-withdrawal disbursement requirements, do not supercede this provision. Therefore, although in some circumstances a second or subsequent FFEL disbursement is counted as aid that could have been disbursed for purposes of determining earned Title IV aid, the funds may not be disbursed.

Consider a student who withdraws after completing 350 clock hours in a 900 clock-hour program. The loan period is the 900 clock-hour academic year. The payment periods are 450 hours each. The institution chooses to disburse the loan in four disbursements. The first quarter of the Stafford loan for the first quarter of the period of enrollment has been disbursed. The student is scheduled to receive the second quarter of the loan in the second half of the first 450-hour payment period. The student withdraws during the first payment period after receiving only the first disbursement of the loan. The third and fourth scheduled disbursements of the loan may not be included in the calculation as aid that could have been disbursed because the student had not completed the second half of the clock hours on the loan period. The second scheduled disbursement of the loan is included in the calculation as aid that could have been disbursed because the institution was not prohibited from disbursing that amount to the student on or before the day the student withdrew. However, the institution may not make a post-withdrawal disbursement of the loan because of the prohibition on making second or subsequent disbursements of Stafford Loans when a student has stopped attending an institution.

When a student withdraws, no portion of any second or subsequent disbursement may be disbursed to a student as a post-withdrawal disbursement even though the amount of the second or subsequent disbursement is included as aid that could have been disbursed for purposes of determining earned Title IV funds.

If an institution receives a valid Student Aid Report (SAR) prior to or as of the withdrawal date, and an FFEL loan is certified as of or prior to that date, an institution can make an initial disbursement of that loan consistent with the provisions of 34 CFR 668.164(g)(2) for late disbursements.

A first-year, first-time borrower who withdraws before the 30th day of his or her program of study at a school that is not exempt from the 30-day delay provision is prohibited from receiving any FFEL funds at the time he or she withdraws. Therefore, no return of Title IV funds calculation is performed for this student.

Late-Arriving Aid

If a school is determining the treatment of FFEL funds on a payment-period basis, the student's FFEL Program assistance used in the calculation is the aid that is disbursed or that could have been disbursed for the payment period

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during which the student withdrew. Also, the institutional charges used in the calculation have to reflect the charges for the payment period.

If aid that could have been disbursed during a previous payment period (completed by the student) is received in a subsequent period during which the student withdrew, the aid is not considered aid disbursed or aid that could have been disbursed in the period during which the student withdrew. This assistance, while it can be disbursed in the current term, is attributed to the previous term. Therefore, it is not included in the return calculation for the period in which the student withdrew.

Please note that for a student who has withdrawn, a school cannot disburse aid received for a previous semester unless the student qualifies for a late disbursement.

Step 2: Percentage of Title IV Aid Earned

The percentage of Title IV aid earned is determined differently for credit-hour program withdrawals than for clock-hour program withdrawals. The requirements for determining a student's withdrawal date, however, differ based on whether a school is required to take attendance or not. The withdrawal date is used to determine the point in time that the student withdrew so that the percentage of the payment period or period of enrollment completed by the student can be determined. The percentage of Title IV aid earned is equal to the percentage of the payment period or period of enrollment completed.

If the day the student withdrew occurs on or before the student completes 60 percent of the payment period or period of enrollment, the percentage earned is equal to the percentage of the payment period or period of enrollment that is completed. If the day the student withdrew occurs after the student completes more than 60 percent of the payment period or period of enrollment, the percentage earned is 100 percent.

Withdrawal Date

This definition of withdrawal date is required for Title IV-program purposes only, including the withdrawal date that a school must report to a lender if FFEL program funds are received. A school may, but is not required to, use these withdrawal dates for its own institutional refund policies.

The definition of withdrawal date is for determining the amount of aid a student has earned. Do not confuse it with the date of the institution's determination that the student withdrew, which is used for other purposes in the return calculation.

Take a Look

- See page 5-21 for more information on leave of absence.

Withdrawal Date for a Student Who Withdraws from a School That is Required to Take Attendance

If a school is required to take attendance, a student's withdrawal date is the last date of academic attendance, as determined by the school from its attendance records. This date is used for all students who stop attending, including those who do not return from an approved leave of absence (see the discussion of leave of absence on page 5-21).

Only a school that is required to take attendance by an outside entity (see below) is considered to be a school that is required to take attendance for purposes of calculating the amount of Title IV program assistance earned when a student withdraws. A school that elects to take attendance, including a school that voluntarily complies with an optional attendance requirement of an outside entity, is not considered a school that is required to take attendance.

Attendance Requirements of Outside Entities

The goal of the return of Title IV aid provisions is to identify the date that most accurately reflects the point when a student stops attending, not the date that maximizes Title IV aid to the institution or to the student. Generally, the most precise determination of a student's withdrawal date is made from institutional attendance records. If an institution has such records as the result of the requirements of an outside entity, the institution must use those records for determining a student's withdrawal date.

An example of an outside agency that might require a school to take attendance is a school's accrediting agency. An institution is required to take attendance if any requirements of an outside entity result in the institution having to take attendance, even if taking attendance is not directly required and even if the outside entity states that the institution is not required to take attendance.

In other words, if the only way an institution can comply with a requirement of an outside entity is to take attendance, the institution is considered to be an institution that is required to take attendance for return of Title IV aid purposes. If a school's accrediting agency requires the school to monitor the withdrawal date of its students, and the only way the school can comply is by taking attendance, then the institution meets the definition of an institution required to take attendance. ED considers such an institution to be one required to take attendance even if the accrediting agency does not specifically state that the institution is required to take attendance. This is true even if the accrediting agency specifically states that the institution is not required to take attendance.

An agency may require an institution to refund tuition and fees based on a student's last date of class attendance, or it may require an institution to drop a student if the student misses more than a certain number of days or hours in a term. In both instances, the only way a school can comply with the

requirements is by taking attendance. Therefore, in both instances, schools covered by the requirements are considered to be schools that are required to take attendance for purposes of the return of Title IV aid requirements. This is true even if the agency states that it does not require institutions to take attendance. If a school is required by an outside entity to take attendance for only some students, the school is required to use those attendance records for only the cohort of students under the outside agency's jurisdiction to determine the student's withdrawal date (the last date of academic attendance). The school is not required to take attendance for any of its other students or to use attendance records to determine any of its other students' withdrawal dates, unless the school is required to take attendance for those students by another outside entity.

Documentation

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. If a school is required to take attendance, it is up to the school to ensure that accurate attendance records are kept for purposes of identifying a student's last date of academic attendance. A school must also determine which attendance records most accurately support its determination of a student's withdrawal date and the school's use of one date over another if the school has conflicting information.

Take a Look

- See the chart on withdrawal dates on page 5-43.

Determining a Student's Withdrawal Date at a School That is Not Required to Take Attendance

If a school is not required to take attendance, the determination of a withdrawal date varies with the type of withdrawal. The chart on withdrawal dates on page 5-43 lists the withdrawal dates for the various types of withdrawals, as well as the date of the institution's determination that the student withdrew for each type of withdrawal.

Official Notification

A student may provide official notification of his or her intent to withdraw by following the school's withdrawal process. In this case, the withdrawal date is the date the student begins the school's withdrawal process. A student may also provide official notification in other ways. If a student otherwise provides official notification (as explained below), the withdrawal date is the date notification is provided. If a student both begins the school's withdrawal process and otherwise provides official notification orally or in writing of his or her intent to withdraw, the earlier of the two withdrawal dates is the withdrawal date that must be used for purposes of this calculation.

These withdrawal dates apply even if a student begins the school's withdrawal process or otherwise notifies the school of his or her intent to withdraw and projects a future last date of attendance. For example, if on May 5 a student provides notification of his intent to cease attending the school beginning on

May 10, the withdrawal date is May 5. A school that is not required to take attendance may always use a last date of attendance at an academically related activity as a student's withdrawal date (this is discussed in detail below). Therefore, the school may use May 10 as the student's withdrawal date if the institution documents that date as the student's last date of attendance at an academically related activity.

Likewise, a school can use an earlier last documented date of attendance at an academically related activity if this date reflects the student's withdrawal date more accurately than the date the student begins the school's withdrawal process or notifies the school of his or her intent to withdraw.

These requirements for the treatment of Title IV funds do not apply to a student who does not actually stop attending the school. For example, when a student reduces his or her course load from 12 credits to 9 credits, the reduction represents a change in status, not a withdrawal. Therefore, no return calculation is required.

School's Withdrawal Process

Again, for a student who provides official notification of his or her intent to withdraw by following the school's withdrawal process, the withdrawal date is the date the student begins the school's withdrawal process. The beginning of the school's withdrawal process must be defined. The individual definition is left up to the school. Schools are required to make available to students a statement specifying the requirements for officially withdrawing from the school. The school is expected to identify the beginning of its process as a part of this information. A school should be able to demonstrate consistent application of its withdrawal process, including its determination of the beginning of that process.

The distinction is that, while the institution's officially defined withdrawal process might include a number of required steps, and though the institution might not recognize the student's withdrawal (for purposes of determining an institutional refund) until the student has completed all the required steps, for the purpose of calculating the return of Title IV funds, the date the student began the institution's withdrawal process is the withdrawal date for Title IV purposes.

Providing Official Notification

Official notification to the school occurs when a student notifies an office designated by the school of his or her intent to withdraw. In its written description of its withdrawal procedures, a school must designate at least one office for this purpose. For example, a school could designate a dean's, registrar's, or financial aid office. If a student provides notification to an employee of that office while that person is acting in his or her official capacity, the student has provided official notification. If the student provides notification to an employee of that office while that person is not acting in his

or her official capacity (for example, the student runs into her dean at a restaurant), the employee should inform the student of the appropriate means for providing official notification of his or her intent to withdraw.

Official notification from the student is any official notification that is provided orally or in writing. Acceptable official notification includes notification by a student orally, whether in person or by telephone, or through a designated Web site. The responsibility for documenting oral notifications is the school's; however, the school may request, but not require, the student to confirm his or her oral notification in writing. If a student provides official notification of withdrawal to the institution by sending a letter to the designated office stating his or her intent to withdraw, the withdrawal date is the date that the institution receives the letter. Notification is not considered to be provided to an institution until the institution actually receives the notification. An institution has the option of using another date if it has evidence of an academically related activity that the student attended on that date.

Intent to withdraw means that the student indicates that he or she has either stopped attending the school and does not plan to resume academic attendance or believes at the time he or she provides notification that he or she will stop attending the school. A student who contacts a school and only requests information about the withdrawal process, such as the potential consequences of withdrawal, is not considered to be a student who plans to withdraw. However, if the student indicates that he or she is requesting the information because he or she plans to stop attending, the student is considered to have provided official notification of his or her intent to withdraw.

When a Student Triggers Both Dates

A student might both begin the school's withdrawal process and otherwise provide official notification to the school of his or her intent to withdraw. For example, on November 1, a student calls the school's designated office and states his or her intent to withdraw. Later, on December 1, the student begins the school's withdrawal process by submitting a withdrawal form. If both dates are triggered, the earlier date—November 1, in this case—is the student's withdrawal date.

Again, remember that a school that is not required to take attendance is always permitted to use the last date of academically related attendance as the student's withdrawal date.

Time Frame for the Determination of a Withdrawal Date for an Unofficial Withdrawal

Some schools may not know that a student has dropped out (unofficially withdrawn) until the school checks its records at the end of an academic period. However, to ensure that FFEL funds are returned within a reasonable

period of time, a school must determine the withdrawal date (for a student who withdraws without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable; (2) the end of the academic year; or (3) the end of the student's educational program.

Official Notification Not Provided by the Student

A student who leaves a school does not always notify the school of his or her withdrawal. There are two categories of these unofficial withdrawals for purposes of this calculation. First, if the school determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss, or other circumstances beyond the student's control, the withdrawal date is the date the school determines from its consideration of circumstances beyond a student's control. The second category of unofficial withdrawals encompasses all other withdrawals where official notification is not provided to the school. For these withdrawals, commonly known as *drop outs*, the withdrawal date is the midpoint of the payment period or period of enrollment, as applicable. Once again, this is strictly for schools that are not required to take attendance.

Withdrawal Without Student Notification Due to Circumstances Beyond the Student's Control

There are two circumstances in which a special rule applies for defining a withdrawal date for a student who withdraws due to circumstances beyond the student's control. The rule applies when (1) a student who would have provided official notification to the school is prevented from doing so due to those circumstances; and (2) a student withdraws due to circumstances beyond the student's control and a second party provides notification of the student's withdrawal on the student's behalf.

A school may determine the withdrawal date that most accurately reflects when the student stops attending due to the circumstances beyond the student's control. This date is not necessarily the date the circumstance occurs. For example, if a student is assaulted, he or she may continue to attend school but ultimately may not be able to complete the period because of the trauma experienced. Because the student's withdrawal is the result of the assault, the withdrawal date is the date the student actually leaves the school, not the date of the assault. A school should document that the student leaves on the later date because of issues related to the assault.

All Other Withdrawals Without Student Notification

For all other withdrawals without notification, the withdrawal date is the midpoint of the payment period or the period of enrollment, as applicable.

It is the responsibility of the school to develop a mechanism for determining whether a student who is a recipient of FFEL loan funds has stopped

attending without notification during a payment period or period of enrollment. The requirement that a school identify students who have dropped out during a payment period or period of enrollment is not new. Under the former Title IV refund requirements a school was required to identify students who dropped out. A school must have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period cannot be confirmed.

Leave of Absence-Related Withdrawals

At any institution not required to take attendance, if a student does not return to the school at the expiration of an approved leave of absence (or a student takes an unapproved leave of absence), the student's withdrawal date is the date the student began the leave of absence. At an institution required to take attendance, the withdrawal date for the same student would always be the student's last day of attendance.

Withdrawals After Rescission of Official Notification

A student may provide official notification to the school of the intent to withdraw and then change his or her mind. To allow a student to rescind his or her intent to withdraw for purposes of this calculation, the school must obtain a written statement from the student stating his or her intent to remain in academic attendance through the end of the payment period or period of enrollment. If the student subsequently withdraws (without returning to school) after rescinding an intent to withdraw, the withdrawal date is the date the student first provided notification to the school or began the school's withdrawal process, unless the school chooses to document a last date of attendance at an academically related activity.

As noted previously, a school may always use the last date of attendance at an academically related activity to take into account attendance by the student subsequent to the student's first notification of withdrawal. For example, Dave notifies his school of his intent to withdraw on January 5. On January 6, Dave notifies the school that he has changed his mind and has decided to continue to attend the school and provides the required written statement to that effect. On February 15, Dave notifies the school that he is withdrawing and actually does. The school has a record of an exam that Dave took on February 9. The school may use February 9 as Dave's withdrawal date. If the school could not or did not choose to document a last date of attendance at an academically related activity for Dave (in this case, the record of the exam), his withdrawal date would be January 5, the date of Dave's original notification of his intent to withdraw, not February 15.

Last Date of Attendance at an Academically Related Activity

A school that is not required to take attendance may always use a student's last date of attendance at an academically related activity, as documented by the school, as the student's withdrawal date in lieu of the withdrawal dates listed

above. So, if a student begins the school's withdrawal process or otherwise provides official notification of his or her intent to withdraw and then attends an academically related activity after that date, the school would have the option of using that last actual attendance date as the student's withdrawal date, provided the school documents the student's attendance at the activity. Similarly, a school could choose to use an earlier date if it believes the last documented date of attendance at an academically related activity more accurately reflects the student's withdrawal date than the date on which the student began the school's withdrawal process or otherwise provided official notification of his or her intent to withdraw.

The school must document:

- that the activity is academically related *and*
- the student's attendance at the activity.

The concept of using a last date of attendance at an academically related activity as a student's withdrawal date is a long-standing one for the Title IV programs. Examples of academically related activities are an exam, a tutorial, computer-assisted instruction, academic counseling, academic advisement, turning in a class assignment, or attending a study group that is assigned by the school. Examples of activities that are not academically related would be living in institutional housing or participating in the school's meal plan. A school is not required to take class attendance in order to demonstrate academic attendance for this purpose.

Withdrawals from Standard Term-Based Programs Using Modules

When a student withdraws from a standard term-based program composed of a series of modules, the school must determine whether the return calculation is required and, if so, the length of the period of enrollment or payment period, as applicable. Among the variables a school must consider are whether the student has completed at least one course and whether the student intends to return for another module within the term.

The principles for determining the appropriate values to use in a return calculation are applicable only when the courses and modules have the following characteristics:

- Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. The modules may overlap.
- The institution has chosen to have two or more modules make up the standard term (semester, trimester, or quarter). For example, in each 15-week semester, courses are offered in three five-week modules.

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- Students can begin attending at the beginning of any one of the modules in a term. For example, a student enrolling in a three-module-per-semester program can start in module two or module three as well as in module one.

- Students may skip one or more modules within the term. For example, a student enrolling in a three module per semester program can attend module one, skip module two, and return for module three.

- Students enroll up-front for courses in all of the modules they plan to attend for the entire term; however, some students may subsequently add or drop a course in a later module.

For modular programs meeting the aforementioned criteria, the following principles apply to the application of the return of Title IV aid provisions:

Reference

- DCL GEN-00-24

- If a student withdraws from an institution after completing at least one course in one module within the term, the student is not considered to have withdrawn, and the requirements of 34 CFR 668.22 for the return of Title IV aid do not apply. Note, however, that other regulatory provisions concerning recalculation may apply.

- If a student withdraws from the institution before completing at least one course in one module, the student is considered to have withdrawn and the requirements for the return of Title IV aid apply, unless the institution has obtained a confirmation from the student that the student intends to continue in the program by attending a module later in the term.

- When a student withdraws without completing at least one course in one module, the payment period to be used in the return of Title IV aid calculation includes all of the modules that the student was scheduled to attend in the term. The payment period begins on the student's first day of attendance for the term and ends on the last day of attendance in the last module the student was scheduled to attend.

- A student who has not completed at least one course in the payment period does not have to be considered to have withdrawn if the institution has obtained a confirmation from the student that the student intends to continue in the program and attend a module later in the term.

A school may not rely on the student's previous registration. Rather, the confirmation from the student must be obtained after the student's withdrawal. If a student indicates an intention to continue in a subsequent module in the term but does not return for that module, the student would be

considered to have withdrawn, and the withdrawal date would be the withdrawal date that would have applied if the student had not indicated an intention to attend a module later in the term.

Documentation

A school must document a student's withdrawal date and maintain that documentation as of the date of the institution's determination that the student withdrew. Note that the determination of a student's withdrawal date is the responsibility of the school. Therefore, if a school is using a last date of attendance at an academically related activity as the withdrawal date, the school, not the student, must document the student's attendance. A student's certification of attendance that is not supported by school documentation would not be acceptable documentation of the student's last date of attendance at an academically related activity.

Leave of Absence

A leave of absence (LOA) must meet certain conditions to be counted as a temporary interruption in a student's education rather than as a withdrawal for the calculation of the treatment of Title IV funds when a student withdraws. If an LOA does not meet the conditions, the student is considered to have stopped attending the school and, therefore, to have withdrawn from the school.

An LOA refers to the specific time period during an ongoing program when a student is not in academic attendance. It does not include nonattendance for a scheduled break in a student's program.

Term-based credit-hour schools often allow students to receive an *incomplete* status for coursework that can be, and is expected to be, completed within a reasonable time frame after the term is over. For example, a student may request and receive an incomplete because he or she failed to turn in an assigned paper. If a student is assigned an "incomplete" status but the school determines that the student will likely complete the required coursework, the student could be considered not to have withdrawn. If the school assigns a student a leave status other than an LOA just to keep the student from having to reapply the next semester, the student would be considered to have withdrawn, unless he or she was granted an approved LOA under the provisions of this section. As discussed below, a student on an approved LOA must be permitted to complete the coursework he or she began prior to the LOA.

When a student returns from an approved LOA, the payment period or period of enrollment used for a return calculation would be adjusted to reflect the new ending date. To prevent a situation where a student is able to earn funds simply by taking an LOA, the days of the LOA must be excluded from the calculation of the percentage of the payment period or period of enrollment completed.

A student who is granted an approved LOA is considered to remain in an in-school status for FFEL loan repayment purposes. However, as discussed previously, if a student does not return from an approved LOA, the student's withdrawal date and the beginning of the student's grace period is:

- the date the student began the LOA for a student who withdraws from a school that is not required to take attendance *or*
- the last date of academic attendance prior to the beginning of the LOA, as determined by the school from its attendance records, for a student who withdraws from a school that is required to take attendance.

Subsequently, if a student on an approved LOA fails to return, a school must report to the loan holder the student's change in enrollment status as of the withdrawal date.

Approved Leave of Absence

For purposes of this calculation, a school does not have to treat an LOA as a withdrawal if it is an approved LOA. As noted above, the requirements for not treating an LOA as a withdrawal also apply to terminating a student's in-school status for a Title IV loan.

An LOA is an approved LOA if:

- it is the only LOA granted to the student in a 12-month period (see exceptions listed below);
- the school has a formal written policy regarding LOAs;
- the student followed the school's policy in requesting the LOA;
- the school approved the student's request in accordance with the school's policy;
- the school determines that there is a reasonable expectation that the student will return to the school;
- the LOA does not involve additional charges by the school;
- the LOA does not exceed 180 days in any 12-month period;
- upon the student's return from the LOA, the student is permitted to complete the coursework he or she began prior to the LOA; *and*
- for a student who is a Title IV loan recipient, the school explains to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan

repayment terms, including the exhaustion of the student's grace period.

Number of Leaves of Absence in a 12-Month Period

Generally, only one LOA may be granted to a student in a 12-month period. However, more than one LOA may be granted for the limited, well-documented cases due to unforeseen circumstances that are listed below.

Provided that the total number of days of all LOAs does not exceed 180 days in any 12-month period, an institution may treat as an approved LOA:

- one additional LOA, if it does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances (this type of LOA would have to be subsequent to the granting of the single LOA, which is granted at the school's discretion) *and*
- subsequent LOAs if the school documents that they are granted for jury duty, military reasons, or circumstances covered under the Family and Medical Leave Act of 1993 (FMLA) (Public Law 103-3), enacted February 5, 1993.

The circumstances covered under the FMLA, as applied to students, are:

- birth of a child of the student and the need to care for that child (for 12 months beginning from the date of birth of the child);
- placement of a child with the student for adoption or foster care (for 12 months beginning on the date of the placement);
- need to care for the student's spouse, child, or parent, if the spouse, child, or parent has a serious health condition; *and*
- a serious health condition that makes the student unable to function as a student.

Two of the circumstances that are covered under the FMLA, birth and care of a child and adoption or foster care placement, are covered for up to 12 months for purposes of the FMLA. For purposes of the Title IV programs, this means a student may be granted an approved LOA for these circumstances, as long as:

- the entire LOA will occur during this 12-month period of time *and*
- the total number of days of all LOAs for the student does not exceed 180 days in the 12-month period that began on the first day of the student's first LOA.

Reference

- *2001-2002 Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

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A school may accept one request for multiple LOAs from a student when those leaves are initially requested for the same reason. For example, a student who will be receiving multiple chemotherapy treatments over the course of the student's enrollment could submit one request to cover the recovery time needed for each session.

Formal Policy

A *formal policy* is one that requires a student to provide a written, signed, and dated request for an LOA prior to the LOA, unless unforeseen circumstances prevent the student from doing so. For example, if a student were injured in a car accident and needed a few weeks to recover before returning to school, the student would not have been able to request the LOA in advance.

A school may grant an LOA to a student who did not provide the request prior to the LOA due to unforeseen circumstances if the school documents the reason for its decision and collects the request from the student at a later date.

A school must put its LOA policy in writing and publicize it to students. This requirement would be met by including the policy with the one-time dissemination of other consumer information.

Reasonable Expectation of Return

This condition is specified to make clear that a school may not grant a student an LOA merely to delay the return of unearned Title IV funds.

No Additional Charges

An LOA is a temporary break in the student's attendance during which, for purposes of determining whether a calculation for the treatment of Title IV funds when a student withdraws applies, the student is considered to be enrolled. Since students are not assessed additional charges for continuing enrollment, any additional charges to the student, even *de minimus* reentry charges, indicate that the student is not considered to be on an approved LOA.

Does Not Exceed 180 Days in Any 12-Month Period

The 12-month period would begin on the first day of the student's LOA.

Completion of Coursework upon Return

In order for an LOA to be an approved LOA, the school must permit the student to complete the coursework that he or she began prior to the LOA. Approved LOAs are viewed as temporary interruptions in a student's attendance. Therefore, when a student returns from an LOA, the student must be continuing his or her education where he or she left off.

Many institutions cannot meet this standard because they require the student to return at the beginning of a term and repeat some coursework previously completed. Even if a school does not charge for work repeated, if a school requires a student to return from an LOA at the beginning of a term rather than at the point at which the student interrupted his or her training, the school's LOA does not meet the standard required for a Title IV LOA.

Explanation of Consequences of Withdrawal to Loan Recipients

As discussed previously, if a student does not return from an approved LOA, the student's withdrawal date is the date the student began the LOA. One consequence of not returning from an LOA is that a student's grace period for a Title IV program loan might be exhausted. Therefore, for an LOA to be an approved LOA, a school must inform a student who is a Title IV loan recipient of the possible consequences a withdrawal may have on the student's loan repayment terms, including the exhaustion of the student's grace period. A student who has exhausted his or her grace period and is unable to begin repayment of a loan may apply for a deferment or forbearance of payment.

Unapproved Leave of Absence

A school may grant a student an LOA that does not meet the conditions for an *approved* LOA (for example, for academic reasons). However, any LOA that does not meet all of the conditions for an approved LOA is considered a withdrawal for Title IV purposes. The student's withdrawal date is the date the student begins the LOA.

An unapproved LOA may not be treated as an unofficial withdrawal. An unofficial withdrawal is one where the school has not received notice from the student that the student has ceased or will cease attending the school. If a school has granted a student an unapproved LOA, the school would be aware of when the student will cease attendance.

Percentage of Payment Period or Period of Enrollment Completed

Once a student's withdrawal date is determined, a school needs to calculate the percentage of the payment period or period of enrollment completed. The percentage of the payment period or period of enrollment completed is equal to the percentage of aid earned by the student. This percentage is determined differently for students who withdraw from credit-hour programs and students who withdraw from clock-hour programs.

Credit-Hour Programs

For a credit-hour program, the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment, as of the day the student withdrew, by the total number of calendar days in the same period. The total number of calendar days in a payment period or period of enrollment includes all days within the period, except for institutionally scheduled breaks of five or more consecutive

Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

days. Days in which the student was on an approved LOA would also be excluded. The day the student withdrew is counted as a completed day.

Scheduled Breaks

Institutionally scheduled breaks of five or more consecutive days are excluded from the return calculation as *periods of nonattendance* and therefore do not affect the calculation of the amount of Title IV aid earned. This provides for more equitable treatment of students who withdraw near the end of a scheduled break. In those instances, the student who withdrew after the break would not be given credit for earning an additional week of funds during the scheduled break but would instead earn only an additional day or two more funds than a student who withdrew right before the start of the break. All days between the last scheduled day of classes before a scheduled break and the first day classes resume are excluded from both the numerator and denominator in calculating the percentage of the term completed. For example, where classes end on a Friday and do not resume until Monday following a one-week break, both weekends (nine days) would be excluded from the return calculation. If classes were taught on either weekend for the programs subject to the scheduled break, those days must be counted.

Please note that the beginning date of a scheduled break is defined by the school's calendar for the student's program. For a program that regularly meets each Saturday and/or Sunday, the days between classes are not excluded because they were not part of any regular scheduled break. If classes were not held on at least one of the normally scheduled days of a weekend, the period from the last scheduled day of class before the scheduled break until the next scheduled day of class after the break would be excluded from the number of days in the period of enrollment used in the return calculation.

If a student officially withdraws while on a scheduled break of five or more consecutive days, the withdrawal date is the last date of scheduled class attendance. For example, the institution's last date of scheduled class attendance prior to spring break is Friday, March 7. Spring break at the institution runs from Saturday, March 8, to Sunday, March 16. If the student contacts the institution's designated office on Wednesday, March 12, to inform the institution that he will not be returning from the institution's spring break, the student's withdrawal date is Friday, March 7, which was the institution's last day of scheduled class attendance. However, the date of the institution's determination that the student withdrew is March 12, the date the student actually informed the institution that he would not be returning. The date of the institution's determination that the student withdrew is used as the starting date for institutional action, such as the requirement that an institution return Title IV funds for which it is responsible no later than 30 days after this date.

If a student officially withdraws while on a scheduled break of less than five days, the actual date of the student's notification to the institution is the student's withdrawal date. Remember that an institution may always choose to

use a documented last date of attendance at an academically related activity as the student's withdrawal date.

Clock-Hour Programs

Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

Under the Title IV refund requirements, schools were allowed to use only clock hours actually completed by the student upon his or her withdrawal. Hours that were scheduled to be completed by the student at the time of withdrawal could not be used. The new law provides that for the determination of the treatment of Title IV funds when a student withdraws, scheduled hours may be used to determine the percentage of the period completed by the student if certain conditions are met.

Calculation 1 on the clock-hour worksheet determines whether the student withdrew after the student actually completed 60 percent of the payment period or period of enrollment. If the student withdrew after actually completing at least 60 percent of the payment period or period of enrollment, the student has earned 100 percent of his or her aid, so it is not necessary to determine whether scheduled hours may be used. If a student withdrew on or before the 60 percent point, the school should proceed to Calculation 2 to determine whether scheduled hours may be used.

If the clock hours completed by the student as of his or her withdrawal are equal to at least 70 percent of the hours that were scheduled to be completed by the student as of his or her withdrawal, scheduled hours may be used to determine the percentage. Put another way, students who complete at least 70 percent of their scheduled hours before they withdraw earn Title IV funds based upon their total scheduled hours for the time they were enrolled, rather than the hours they completed. Calculation 2 first determines the percentage of scheduled hours completed. If this amount is equal to or greater than 70 percent, scheduled hours are used and the school should proceed to the second part of Calculation 2. If the percentage of scheduled hours completed is less than 70 percent, completed hours must be used in the calculation of the percentage of the period completed. Because Calculation 1 determined the percentage of the period completed using completed hours, the result of that calculation is the percentage of the period completed.

For example, if a student withdraws after completing 230 hours in a 450 clock-hour payment period, and the student was scheduled to have completed 280 hours of the program at the time he or she withdrew, that student has completed 82 percent of the scheduled hours (230/280) for the time he or she was enrolled. In this case, the student exceeded the attendance threshold of 70 percent and, therefore, the school would use the 280 scheduled hours rather than the 230 hours that were actually completed in calculating the percentage of the period completed. If the same student had completed 230 clock hours while he or she was scheduled to have completed 335 hours at the point of withdrawal, the student's attendance rate would have been less than 70 percent (230/335=.687), and only the 230 completed hours would be used in the calculation.

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Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

The second part of Calculation 2, which uses scheduled hours to determine the percentage of the period completed, notes that when using scheduled hours, the percentage of the period completed may be greater than 60 percent. This is because only students who actually complete more than 60 percent of the hours in the payment period or period of enrollment earn 100 percent of the Title IV funds. In the example above, the school determined that the student may be paid for 280 scheduled hours in the 450 clock-hour payment period. The percentage of the payment period completed would be 62.2 percent (280/450), even though the student actually completed only 51.1 percent of the total hours (230/450). However, the student would not earn 100 percent of the Title IV funds, because the 230 clock hours completed were less than 60 percent of the 450 clock hours in the payment period. The student would earn 62.2 percent of the Title IV funds that were disbursed or that could have been disbursed rather than the 51.1 percent the student would have earned if completed hours were used in the calculation.

If a student has completed more hours than he or she was scheduled to complete as of his or her withdrawal, completed hours rather than scheduled hours may be used (for example, when a student accelerates attendance).

Excused Absences

Excused absences do not count as completed hours in the treatment of Title IV funds when a student withdraws. For students who withdraw from their programs, the absences must be counted as scheduled hours that were not completed. To be paid for those hours, the student must satisfy the 70 percent attendance measure. The allowance of up to 30 percent of the scheduled hours to be missed is sufficient to cover most of the situations for unexpected absences. Remember that a school may grant a student an LOA if he or she is unable to attend the school for a period of time but is planning to return to academic attendance (see the previous discussion on LOA). For students who do not withdraw from their programs, the existing policy of not requiring clock hours to be completed for excused absences of up to 10 percent of the program remains.

Step 3: Amount of Title IV Aid Earned by the Student

The amount of Title IV aid earned by the student is determined by multiplying the percentage of Title IV aid earned (Box C on the worksheet) by the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed to the student or on the student's behalf (Box B on the worksheet).

Take a Look

- See Chapter 2 for more information on cash management.

Effects of a Post-Withdrawal Reduction in Charges

If a student withdraws and a school's refund policy does not assess any charges to the student, regardless of the reason for which a school reverses or cancels a student's charges, the return of Title IV aid requirements still apply.

- An otherwise eligible student who began attendance at a school and was disbursed or could have been disbursed Title IV grant or loan funds prior to a withdrawal has earned a portion of those Title IV funds.

- After a student withdraws, any adjustment or elimination of a student's institutional charges, changes to the student's enrollment status, or other administrative determinations made by the institution have no bearing on the applicability of the requirements in 34 CFR 668.22.

Step 4: Total Title IV Aid to be Disbursed or Returned

If the student receives less Title IV aid than the amount earned, the school must make a disbursement of the earned aid that was not received. This is called a post-withdrawal disbursement. If the student received more Title IV aid than that amount earned, the school, the student, or both must return the unearned funds in a specified order.

Post-Withdrawal Disbursements

Take a Look

- See post-withdrawal disbursement tracking worksheet on page 5-48.

If a post-withdrawal disbursement is due, a school stops here on the Return to Title IV worksheet. A school may use the Post-Withdrawal Disbursement Tracking Sheet to track the handling of the post-withdrawal disbursement, or it may use a form developed locally. A school must track post-withdrawal disbursements.

Any post-withdrawal disbursement due must meet the current required conditions for late disbursements. For example, the school must have received the student's SAR [or Institutional Student Information Record (ISIR) if the school has electronic access] with an official Expected Family Contribution. Post-withdrawal disbursements differ from late disbursements in several ways. While a school has the discretion to determine whether to make a late disbursement to a student who became ineligible solely because of a change in enrollment status, a school is required to make post-withdrawal disbursements. A late disbursement must be for incurred educational costs and must be made within 90 days of the date the student becomes ineligible. The amount of a post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV aid and has no relationship to incurred educational costs. Moreover, a post-withdrawal disbursement made as the result of a withdrawal must be made within 90 days of the date that the student becomes ineligible.

Crediting a Student's Account

An institution should not request FFEL Program funds for a post-withdrawal disbursement unless and until it has determined:

1. that a post-withdrawal disbursement is due;
2. the amount of the post-withdrawal disbursement;
3. that the student meets the criteria for a late disbursement; *and*
4. that the school can disburse any post-withdrawal disbursement within three business days of receiving the funds.

If the student is due a post-withdrawal disbursement of an FFEL loan, in the information a school provides to a student when the school informs the student that he or she is due a post-withdrawal disbursement, the school should include information about the advantages of using a post-withdrawal disbursement to pay down Title IV loans. With a student's permission, funds due a student in a post-withdrawal disbursement can be used to pay down a Title IV loan, thereby reducing any post-withdrawal disbursement made directly to the student.

The requirements for the treatment of Title IV funds when a student withdraws reflect the cash management requirements for disbursing Title IV funds. Specifically, a school is permitted to credit a student's account with a post-withdrawal disbursement without the student's (or parent's, in the case of a PLUS Loan) permission for current charges for tuition, fees, and room and board (if the student contracts with the school) up to the amount of outstanding charges. An institution must obtain a student's or parent's authorization to credit a student's account for charges other than current charges for tuition, fees, and room and board (if the student contracts with the school).

Outstanding charges on a student's account are charges for which the institution will hold the student liable after the application of any applicable refund policy. These are the institutional charges, after any adjustment, that reflect what the student will really owe for the current term after his or her withdrawal, any other current charges, plus any permitted minor prior year charges.

For example, consider a student who is due a post-withdrawal disbursement of $450. The institutional charges that the student was originally assessed by the institution totaled $2,300. However, under the institution's refund policy, the institution may keep only $700 of those institutional charges. No funds had been paid toward the institutional charges at the time the student withdrew. In addition, the student owes $50 for a bus pass. The outstanding charges on the student's account that would be entered in Box B of the Post-Withdrawal Disbursement Tracking Sheet are $750 (the $700 in institutional charges plus the $50 owed for the bus pass). All or a portion of the $450 the institution must disburse under the post-withdrawal disbursement provisions may be used to satisfy this balance.

A school is permitted to use a student's or parent's authorization, obtained prior to the student's withdrawal date for this purpose so long as that authorization meets the cash management requirements for student or parent authorizations. If the school did not obtain authorization prior to the student's withdrawal, the school would have to obtain authorization in accordance with the cash management requirements before it could credit the student's account for other current charges for educationally related activities.

The school's request for the student's or parent's authorization must make clear that if the student or parent does not give permission for the school to credit the student's account with the FFEL funds, these funds will be disbursed directly to the student or parent, if the student or parent accepts the funds. If a school does not have permission from the student (or parent, in the case of a PLUS Loan) prior to the student's withdrawal, the undisbursed earned funds must be offered to the student and cannot be used by the school to pay remaining institutional charges other than for tuition, fees, and room and board (if the student contracts with the school).

A school may credit a student's account for minor prior award year charges in accordance with the cash management requirements. Schools should make every effort to explain to a student that all or a portion of his or her post-withdrawal disbursement has been used to satisfy any charges from prior award years.

These requirements also mirror the current cash management provisions that require a school to provide notice to a student (or parent, in the case of a PLUS Loan) when the school credits a student's account with FFEL Program funds.

Notice to a Student Offering a Post-Withdrawal Disbursement

Earned funds in excess of those credited to a student's account must be provided to the student. ED recognizes the difficulty a school may have in locating a student who withdrew; however, a school is required to offer in writing to the student (or parent, in the case of PLUS Loan funds) any amount of a post-withdrawal disbursement that is not credited to a student's account. The written notification must include the information necessary for the student or parent to make an informed decision as to whether the student or parent would like to accept any of the disbursement.

A school must send the notification as soon as possible, but no later than 30 calendar days after the date that the school determines the student withdrew. The notice must identify the type and amount of the FFEL funds that make up the post-withdrawal disbursement and explain that the student or parent may decline all or a portion of those funds. This information must be provided to permit a student or parent to determine which funds, if any, he or she wishes to decline.

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In the notification, the school must advise the student or parent that he or she has 14 calendar days from the date the school sent the notification to accept a post-withdrawal disbursement. The notification must make it clear that if the student or parent does not respond to the notification within the time frame, the school is not required to make the post-withdrawal disbursement. However, a school may *choose* to make a post-withdrawal disbursement based on acceptance by a student or parent after the 14 calendar days. If a response is not received from the student or parent within the permitted time frame, or the student declines the funds, the school would return any earned funds that the school was holding to the lender.

If a student or parent submits a timely response accepting all or a portion of a post-withdrawal disbursement, the school must disburse the funds within 90 days of the date of the institution's determination that the student withdrew. Note that the date of the institution's determination that the student withdrew is the same date that triggers the 30-day period the school has for notifying the student or parent of any post-withdrawal disbursement available for direct disbursement. Consequently, the sooner a school sends the notification to a student or parent, the more time the school has to make any accepted post-withdrawal disbursement.

A school may use one notification to:

- inform the student or parent that loan funds were credited to the student's account;
- request permission to credit the student's account for other current charges for educationally related activities, if prior authorization was not obtained; *and*
- notify the student or parent of the availability of any remaining earned FFEL Program assistance.

If authorization from a student (or parent for a PLUS Loan) is received after the 14-day deadline and the school chooses not to make a post-withdrawal disbursement, the school must notify the student (or parent) that the post-withdrawal disbursement will not be made and why. This notification must be made in writing or sent electronically. Notification is required because a student or parent may assume incorrectly that his or her acceptance of a post-withdrawal disbursement has been received within the time frame and that the post-withdrawal disbursement will be made. If an authorization from the student (or parent for a PLUS Loan) is never received or if the school chooses to make a post-withdrawal disbursement on an authorization received after the 14-day deadline, the school does not need to notify the student.

The regulations do not address how a school should ensure that Title IV funds are disbursed to the proper individual. However, a school may not require a student who has withdrawn from a school (or a parent of such a student, for PLUS Loan funds) to pick up a post-withdrawal disbursement in person.

Because the student is no longer attending the school, he or she may have moved out of the area and may be unable to return to the school to pick up a post-withdrawal disbursement.

Example of the Post-Withdrawal Disbursement Requirements

Michael drops out of school on November 5. On November 10, the school becomes aware that Michael has stopped attending. When Michael withdraws, only $1,100 of the $2,000 in Federal Stafford Loan funds that could have been disbursed have been disbursed. The school determines that because Michael has earned $900 in Title IV Program assistance that he has not received, he is due a post-withdrawal disbursement of $900. The school determines that Michael has $50 in outstanding tuition charges and $100 in outstanding parking fines for the payment period. The school credits Michael's account with $50 of the Stafford Loan funds. The school wants to use another $100 of his post-withdrawal disbursement to cover the outstanding parking fines. However, the school has not received permission from Michael prior to his withdrawal to credit his account for educationally related charges other than tuition, fees, and room and board.

On November 12, the school sends a notification to Michael stating that:

1. He is due a post-withdrawal disbursement of $900 that is made up of $900 in Federal Stafford Loan funds.
2. $50 was credited to his account for tuition charges, so he has a remaining potential post-withdrawal disbursement of $850.
3. He may accept all, a portion, or none of the $850.
4. The school is obligated to make a post-withdrawal disbursement of funds only if he accepts the funds by November 26, 14 days after the school sent the notification.
5. The school is requesting permission to credit his account with an additional $100 to cover his unpaid parking fines.
6. If he does not authorize the school to credit his account with the $100 of the Stafford Loan funds, those funds will be disbursed to him if he chooses to accept them. The school could have sent the notification no later than December 10th, that is, 30 days after the date of the institution's determination that he withdrew.

Michael responds on November 19. He authorizes the school to apply $100 to his outstanding parking fines. He declines the additional $750 in Federal Stafford Loan funds to minimize his overall loan debt.

Title IV Aid to Be Returned

If the student receives more Title IV aid than the amount earned, the school, the student, or both must return the unearned funds in a specified order. The amount of Title IV aid to be returned is determined by subtracting the amount of earned Title IV aid (Box D) from the amount of Title IV aid that was actually disbursed to the student, NOT including aid that could have been disbursed (Box A).

The amount of aid that was actually disbursed rather than the total amount of aid that was disbursed and that could have been disbursed is used, because the only amount of Title IV aid that needs to be returned is the amount of disbursed aid that exceeds the amount of earned aid.

Step 5: Amount of Unearned Title IV Aid Due from the School

When a return of Title IV funds is due, the school and the student both have a responsibility for returning funds. Whatever funds are not returned by the school must be returned by the student. Although these requirements talk in terms of returning funds, a school is not required to actually return its share before the student. Rather, it is the calculation of the amount of assistance the school is responsible for returning to the FFEL lender that must be calculated first. The student's repayment obligation is determined after the school's share is calculated.

The school must return the lesser of:

- the amount of Title IV funds that the student does not earn *or*
- the amount of institutional charges that the student incurred for the payment period or period of enrollment multiplied by the percentage of funds that was not earned.

The percentage not earned is determined by subtracting the percentage of Title IV aid earned (Box C) from 100 percent.

Institutional Charges

Take a Look

- See page 5-40 for more information on determining institutional and noninstitutional charges.

The institutional charges used in the calculation are always the charges that were initially assessed the student for the payment period or period of enrollment. Because FFEL funds are provided for the entire payment period or period of enrollment, as applicable, the calculation uses institutional charges assessed for that entire payment period or period of enrollment. An institution may not use the unpaid charges on the student's account at the time of withdrawal or the adjusted amount of institutional charges that result from the institution's refund policy or from a *retroactive withdrawal* of the student.

Institutional charges may not be reduced even if other sources of aid are used to pay those charges. For example, a school may not reduce institutional

charges when an outside agency that is supplying aid requires that aid to be used for tuition. The allocation of repayment responsibilities looks first to the institution to repay unearned FFEL Program funds. The presumption embodied in the current regulations is that FFEL Program funds are used to pay institutional charges ahead of all other sources of aid. The regulations do not provide for institutions to adjust this allocation by taking into consideration other sources of aid that might be used to pay institutional charges for a student.

Initial charges may only be adjusted by those changes the institution made prior to the student's withdrawal (for example, for a change in enrollment status). If after a student withdraws the institution changes the amount of institutional charges, those changes affect neither the charges nor aid earned in the calculation.

As stated previously, for students who withdraw from a nonterm-based educational program, the school has the choice of determining the calculation on either a payment-period basis or a period-of-enrollment basis. If a school with a nonterm program chooses to base the calculation on a payment period but the school charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. In this situation, the student's institutional charges for the payment period are the prorated amount of institutional charges for the longer period. However, if a school has retained Title IV funds in excess of the institutional charges prorated amount, including allocating costs for equipment and supplies to the front of the program, the funds retained by the school are attributed to that payment period, because they are a better measure of the student's institutional charges for that period.

Take a Look

- See page 5-40 for more information on determining institutional and noninstitutional charges.

For example, institutional charges are $8,000 for a nonterm-based program that spans two payment periods of 450 clock hours each. The school chooses to calculate the treatment of Title IV funds on a payment-period basis. A student withdraws in the first payment period. The prorated amount of institutional charges for each payment period is $4,000. However, the school has retained $5,000 of the Title IV funds for institutional charges for the payment period. Therefore, the institutional charges for the payment period are $5,000–the greater of the two elements from the proration calculation.

Effects of Waivers on Institutional Charges

If the institution treats a *waiver* as a payment of tuition and fees actually charged to a student, then that payment would be considered to be a financial aid resource and the cost of attendance (COA) calculation would include the full amount of the tuition and fees. Any return of Title IV aid calculation would be based on the full original charge for the tuition and fees for the period used in the calculation.

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On the other hand, if the institution's policy for these waivers is that the student was never actually assessed the higher amount and the waiver is not considered to be financial aid, only the actually assessed charges would be used for COA and return of Title IV aid purposes.

Reference

- ED Policy Bulletin, "Calculating Institutional Refunds: What are Institutional Charges?" (January 7, 1999)

Institutional Versus Noninstitutional Charges

Tuition, fees, room and board, and other charges have been collectively and historically referred to as institutional charges. Institutional and noninstitutional expenses are not defined by whether an actual charge has been made to a student's institutional account. As a general rule, institutional charges are defined as expenses that a school assesses a student for educational expenses, and they are paid directly to the school.

Principle 1: Most costs are institutional.

The most important principle to keep in mind is that all tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise. Thus, a school is never compelled to classify a charge as noninstitutional if it wishes to classify the charge as institutional. However, if a school wishes to exclude specific charges or costs from a calculation, it must demonstrate that the charges are noninstitutional charges.

Principle 2: An institutional charge does not need to be assessed to all students.

Schools sometimes mistakenly assume that a charge is not an institutional charge because it was not assessed to all students or the charge was not included in the enrollment agreement. For example, general guidance provides that "other charges assessed the student by the school include, but are not limited to," all items issued by the school to the student when those charges are specified in the enrollment agreement as separate charges. However, it should be noted that other charges are not limited to items that are listed in the enrollment agreement. Although a charge must be assessed to all students carrying the same academic workload to be considered an allowable cost of attendance, and Title IV funds may only be used to pay allowable cost of attendance charges, it is not true that a charge must be assessed to all students or be listed in an enrollment agreement to be considered an institutional charge for purposes of this calculation.

Principle 3: Institutional charges may or may not be charged to a student's account.

Note the following points about institutional charges:

1. All charges to a student's account are not necessarily institutional charges.

   With the student's permission, a school may credit a student's account with Title IV funds to pay for noninstitutional charges. Consequently,

if a student withdraws from the school with charges for noninstitutional charges on his or her account, the school must use those charges to determine whether the student owes a repayment.

2. Charges that do not appear on the student's institutional account may still be institutional charges.

   For example, a student does not have to charge the purchase of required course materials to his or her institutional account for the course materials to be classified as *institutional charges.* If a school disburses funds to a student to buy equipment that he or she is required to have by the first day of class but the disbursement is so late that the student only has time to purchase the equipment at the school, those costs must be classified as institutional charges, because the student does not have a real and reasonable opportunity to purchase the equipment from someplace other than the school.

General Guidelines for Defining Institutional Charges

The following educational expenses must be considered institutional charges:

- all charges for tuition, fees, and room and board (if contracted with the school) *and*
- expenses for required course materials, if the student does not have a "real and reasonable opportunity" to purchase the required course materials from any place but the school.

Exceptions: Excludable costs are defined as costs that a school may exclude from the total amount of institutional costs, such as an administrative fee, the documented cost of unreturnable equipment, and the documented cost of returnable equipment if not returned in good condition within 20 days of withdrawal.

Noninstitutional charges include:

- a charge for any required course materials that a school can document are noninstitutional because the student had a real and reasonable opportunity to purchase them elsewhere (see the discussion that follows);
- a charge to a student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity;
- a charge to a student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; *or*

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- a charge to a student's account for discretionary educationally related expenses (for example, parking or library fines, the cost of athletic or concert tickets, etc.).

Demonstrating a Real and Reasonable Opportunity

A school may treat certain charges as noninstitutional charges when the school can show that its students have the option of obtaining required course materials from the school or receiving payment of the funds from the school to purchase the items from alternative sources.

If a school does not have a separate charge for equipment and the student has the option of purchasing the equipment from more than one source, the school would not have to include the equipment charge in the return-of-funds calculation.

With regard to this exception, note that if a school wishes to classify the cost of required books, supplies, and equipment as noninstitutional charges, it must be able to substantiate that an option actually existed for its students. For example, the school must be able to demonstrate that (1) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school, and (2) the school did not restrict the availability of financial aid funds, so its students could exercise the option to purchase the required course materials from alternative sources.

A school would not be able to demonstrate that a student has had a real and reasonable opportunity to purchase his or her required course materials from alternative sources if one of the following is true:

- The required course materials are not available elsewhere (that is, they were only available at the school), or they are not conveniently available for purchase from another vendor unaffiliated with the school;

- When financial aid is available to the school for disbursement to the student, the school does not make those funds available to the student in time to purchase the required materials from another vendor before those materials are required for academic purposes;

- The school's practices do not allow or actually discourage a student (for example, the use of vouchers that are only good at the campus bookstore or the late disbursement of funds to students to pay for noninstitutional charges) from exercising his or her option to purchase the required course materials from another vendor; *or*

- The school has the student sign a statement that says the student has the option to purchase course materials from someplace other than the school, but the school is unable to document that an option truly existed.

If the school's return policies are reasonable, consistent, and fair to all students, and students were notified, in writing, of the school's policies when they enrolled, the school may exclude documented costs for:

- nonreturnable equipment *and*
- returnable equipment, if not returned in good condition within 20 days of withdrawal.

Note: The $100 or 5 percent fee (whichever is less) that was excludable under the former refund and repayment regulations is not excluded in the return of Title IV funds calculation.

The school is responsible for demonstrating that its policy on nonreturnable equipment is reasonable, consistent, and fair to students. For example, it is not reasonable or fair to students to classify all used books or equipment as nonreturnable. A school must be able to demonstrate that there are specific circumstances that would prevent the school from selling the books or equipment to other students. Also, if the school's students are not notified in writing about the school's return policy when they enroll or the policy is not consistent with federal regulations on excludable costs, the school may not exclude the documented cost of the books, supplies, and equipment from any refund calculation.

Determining Institutional Charges

To see how the guidelines for defining institutional charges can be applied, consider how a school would determine whether a charge for tools is noninstitutional or institutional.

Applying the Rules: Is This an Institutional Charge?

Chris Cross is required to purchase, by the first day of class, certain types of high-quality tools for his program of study.

1. The school's enrollment agreement does not contain a charge for the tools, and it does not say that the student is required to purchase the tools from the school or a vendor affiliated with the school.

2. The required tools are available for purchase from the school and from a retailer across the street from the school.

3. As a routine practice, the school obtains permission to credit all financial aid to students' institutional accounts, and establishes a line of credit for students at the campus bookstore so they can purchase the required tools by the first day of class.

4. All students buy the tools at the campus bookstore and charge the purchase to the institutional accounts.

Is this an Institutional or Noninstitutional Charge?

The first step would be to determine whether the purchase of the tools falls under the category of expenses that are generally considered institutional charges. Although the cost of the tools is not listed as a charge in the student's enrollment agreement, the school requires the student to purchase the tools for his or her program of study.

Therefore, as a general rule, the tool charges will be considered institutional charges. However, under the exceptions rule, the tool charges may be considered noninstitutional if the school can document that its students had a "real and reasonable opportunity" to purchase the tools from someplace other than the school.

The real and reasonable test is whether the school could demonstrate all of the following:

1. The tools were available for purchase elsewhere.

2. The school made financial aid available to students in time to purchase the tools from another vendor before the first day of class.

3. The school's practices provide students with an equal opportunity to purchase the tools from the campus bookstore or from the retailer across the street.

In this case, the school meets the first criterion; the tools are available at the store across the street, so an opportunity could exist. However, the school fails to satisfy the second and third criteria, because the school's routine practice of crediting students' accounts with all financial aid and extending lines of credit for purchases at the campus bookstore does not allow its students the option of purchasing the required tools from the retailer across the street. Therefore, the only choice this school's students have is to purchase the tools at the campus bookstore. As a result, the cost of the tools must be classified as institutional charges.

Key Points for Determining Institutional and Noninstitutional Charges

- √ Institutional charges are defined as charges that a school assesses a student for educational expenses; they must be paid to the school directly.
- √ A school either disburses financial aid to the student directly to pay for noninstitutional charges, or the school may, with the student's permission, credit the student's account to pay for noninstitutional charges.
- √ All tuition, fees, room and board, and other charges a school assesses a student are institutional charges, unless demonstrated otherwise.
- √ If a school wishes to exclude specific charges from institutional charges, it must demonstrate that the charges are either noninstitutional costs or excludable costs.
- √ An institutional charge does not have to be charged to all students or be listed as a charge in an enrollment agreement to be classified as an institutional charge.
- √ All charges to a student's account are not necessarily institutional charges.
- √ If a charge does not appear on the student's institutional account, it may still be an institutional charge.
- √ Tuition, fees, and room and board (if contracted with the school) are always institutional charges.
- √ Expenses for required course materials are institutional charges if the student does not have a real and reasonable opportunity to purchase the required course materials from any place but the school he or she is attending.
- √ For a school to classify the cost of required course materials as noninstitutional charges, it must be able to substantiate that (a) the required course materials were available for purchase at a relatively convenient location unaffiliated with the school and (b) the school made financial aid funds available to students in a timely manner so its students could exercise the option to purchase the required course materials from alternative sources.
- √ *Excludable costs* are costs a school may exclude from total institutional charges, such as an administrative fee, the documented cost of unreturnable equipment, and the documented cost of returnable equipment if it is not returned in good condition within 20 days of withdrawal.
- √ *Noninstitutional charges* include charges for any required course materials that a school can document are noninstitutional because the student had a *real and reasonable opportunity* to purchase them elsewhere; charges to a student's account for room charges that are collected by the school but are *passed through* to an unaffiliated entity; charges to a student's account for group health insurance fees (if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal); and charges to a student's account for discretionary educationally related expenses (for example, parking or library fines, the cost of athletic or concert tickets, etc.).

Take a Look

- See return of Title IV funds worksheet beginning on page 5-44.

Step 6: Return of Funds by the School

A school must return FFEL loan funds to the programs from which the student received aid during the payment period or period of enrollment, as applicable, in the following order, up to the net amount disbursed from each source:

- Unsubsidized Federal Stafford Loans
- Subsidized Federal Stafford Loans
- Federal PLUS Loans.

A school has 30 days from the date it determines that the student withdrew to return all unearned funds for which it is responsible.

Step 7: Initial Amount of Unearned Title IV Aid Due from the Student

U.S. law specifies that a student is responsible for all unearned Title IV Program assistance that the school is not required to return. The initial amount of unearned Title IV aid due from the student (or parent, for PLUS Loan funds) is determined by subtracting the amount returned by the school from the total amount of unearned Title IV funds to be returned.

Step 8: Return of Funds by the Student

The student (or parent, if a Federal PLUS Loan) returns funds to the loan programs according to the terms of the promissory note he or she signed. In other words, the student will repay any unearned loan funds in the same manner that he or she will be repaying earned loan funds.

Return of Title IV Funds Software

ED has developed software, which is known as return of Title IV funds software, to assist schools with performing return of Title IV aid calculations. When using the software, a school can set up predetermined values for such "standard" items as its tuition, fees, room and board (if contracted through the school), and books and supplies (if they are available only through the school).

Web site

- http://sfadownload.ed.gov

The software, along with reference materials and user guides, can be downloaded from ED's SFA Download Web site.

Determining the Date a Student Has Withdrawn			
Withdrawal Type	**Circumstance**	**Withdrawal Date[1]**	**Date of the School's Determination the Student Has Withdrawn[2]**
Official Notification	The student begins the school's withdrawal process. The student otherwise provides official notification to the school of intent to withdraw.	The date the student begins the school's withdrawal process. The date the student otherwise provides the notification. If both circumstances occur, use the earlier date.	The later of the student's withdrawal date or The date of notification.
Official Notification Not Provided	Official notification not provided by the student because of circumstances beyond the student's control. All other instances where student withdraws without providing official notification.	The date the school determines is related to the circumstances beyond the student's control. The midpoint of the payment period or period of enrollment, as applicable.	The date the school becomes aware that the student has ceased to attend.
Leave of Absence Related	The student does not return from an approved leave of absence. The student takes an unapproved leave of absence.	The date the student began the leave of absence.	The earliest of the dates of the end of the leave of absence, or the date the student notifies the school that he or she will not be returning to the school. The date the student began the leave of absence.
Withdrawal After Rescission of Official Notification	The student withdraws after rescinding a previous official notification of withdrawal.	The student's original withdrawal date from the previous official notification.	The date the school becomes aware that the student did not, or will not, complete the program period or period of enrollment.

1 In place of the dates listed, a school may always use as a student's withdrawal date the student's last date of attendance at an academically related activity, if the school documents that the activity is academically related and that the student attended the activity.

2 For a student who withdraws without providing notification to the school, the school must determine the withdrawal date no later than 30 days after the end of the earlier of (1) payment period or period of enrollment (as appropriate), (2) academic year, or (3) educational program.

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Treatment of Title IV Funds When a Student Withdraws from A Clock Hour Program

Student's Name _____ **Social Security Number** _____

Date Form Completed ___/___/___ **Date of the institution's determination that the student withdrew** ___/___/___

Period used for calculation (check one) ☐ payment period ☐ period of enrollment

Monetary amounts should be in dollars and cents (rounded to the nearest penny). Round to three decimal places when calculating percentages. For example, .4486 would be .449, or 44.9%.

STEP 1: Student's Title IV Aid Information

	Net Amount Disbursed	Net Amount That Could Have Been Disbursed		Amount Disbursed	Amount That Could Have Been Disbursed
1. Unsubsidized FFEL/Direct Stafford Loan			5. Pell Grant		
2. Subsidized FFEL/Direct Stafford Loan			6. FSEOG		
3. Perkins Loan			7. Other Title IV programs*		
4. FFEL/Direct PLUS			*Do not include FWS		

A. Total Title IV aid disbursed (NOT aid that could have been disbursed) for the payment period or period of enrollment **A** $.

B. Total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment **B** $.

STEP 2: Percentage of Title IV Aid Earned

C. • Withdrawal date ___/___/___

- Percentage of payment period or period of enrollment completed

Calculation 1 - Determine the clock hours completed* in the payment period or period of enrollment divided by the total clock hours in the payment period or period of enrollment ____ (completed hours) ÷ ____ (total hours) = ____ %

If this percentage is greater than 60%, enter 100% in Box C and proceed to Step 3.

If this percentage is less than or equal to 60%, proceed to Calculation 2.

Calculation 2 - Determine the clock hours completed* in the payment period or period of enrollment divided by the clock hours scheduled to be completed as of the date the student withdrew. ____ (completed hours) ÷ ____ (scheduled to complete) = ____ %

If this amount is less than 70%, enter the percentage from Calculation 1 in Box C and proceed to Step 3. If this amount is 70% or greater, determine the clock hours scheduled to be completed as of the date the student withdrew divided by the total clock hours in the payment period or period of enrollment and enter this amount in Box C (this amount may be greater than 60%).

*Excused absences do NOT count as completed hours. ____ (scheduled to complete) ÷ ____ (total hours) = ____ % **C** ____ %

STEP 3: Amount of Title IV Aid Earned by the Student

D. Percentage of Title IV aid earned (Box C) x the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box B) ____ (Box C) X ____ (Box B) = **D** $.

STEP 4: Total Title IV Aid to be Disbursed or Returned

If the amount in Box D is greater than the amount in Box A, go to item E. If the amount in Box A is greater than the amount in Box D, go to item E. **If the amounts in Boxes A and D are equal, STOP. No further action is necessary.**

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Student's Name _____ **Social Security Number** _____

STEP 4: Total Title IV Aid to be Disbursed or Returned: Continued

E. ***Post-withdrawal disbursement.*** Subtract Title IV aid disbursed for the payment period or period of enrollment (Box A) from the amount of Title IV aid earned (Box D). This is the amount of the post-withdrawal disbursement due. Stop here and go to the post-withdrawal disbursement tracking sheet.

[ ] (Box D) – [ ] (Box A) = **E** $.

F. ***Title IV aid to be returned.*** Subtract the amount of Title IV aid earned (Box D) from Title IV aid disbursed for the payment period or period of enrollment (Box A). This is the amount of Title IV aid that must be returned.

[ ] (Box A) – [ ] (Box D) = **F** $.

STEP 5: Amount of Unearned Title IV Aid Due from the SCHOOL

G. Institutional charges for the payment period or period of enrollment

Tuition and Fees _____ Board _____ Other _____

Room _____ Other _____ Other _____

Total Institutional Charges **G** $.

H. Percentage of Title IV aid unearned (100% - Box C) **H** . %

I. Multiply institutional charges for the payment period or period of enrollment (Box G) times the percentage of Title IV aid unearned (Box H).

[ ] (Box G) X [ ] (Box H) = **I** $.

J. Compare the amount of Title IV aid to be returned (Box F) to Box I and enter the lesser amount. **J** $.

STEP 6: Return of Funds by the SCHOOL

The school must return the unearned aid for which the school is responsible (Box J) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

	Amount for School to Return		Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan		5. Pell Grant	
2. Subsidized FFEL/Direct Stafford Loan		6. FSEOG	
3. Perkins Loan		7. Other Title IV programs	
4. FFEL/Direct PLUS			

STEP 7: Initial Amount of Unearned Title IV Aid Due from the STUDENT

K. Subtract the amount of Title IV aid due from the school (Box J) from the amount of Title IV aid to be returned (Box F).

[ ] (Box F) – [ ] (Box J) = **K** $.

STEP 8: Return of Funds by the STUDENT

The student (or parent for a PLUS loan) must return unearned aid for which the student is responsible (Box K) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source, after subtracting the amount the school will return. Amounts to be returned to grants are reduced by 50%.

	Amount for Student to Return		Initial Amount to Return		Amount for Student to Return
1. Unsubsidized FFEL/Direct Stafford Loan*		5. Pell Grant		x 50% =	
2. Subsidized FFEL/Direct Stafford Loan*		6. FSEOG		x 50% =	
3. Perkins Loan*		7. Other Title IV programs			
4. FFEL/Direct PLUS*		(x 50% for grant funds)			

*Loan amounts are returned in accordance with the terms of the promissory note. No further action is required other than notification to the holder of the loan of the student's withdrawal date.

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Treatment of Title IV Funds When a Student Withdraws from a Credit Hour Program

Student's Name _____ **Social Security Number** _____

Date Form Completed ___/___/___ **Date of the institution's determination that the student withdrew** ___/___/___

Period used for calculation (check one) ☐ payment period ☐ period of enrollment

Monetary amounts should be in dollars and cents (rounded to the nearest penny). Round to three decimal places when calculating percentages. For example, .4486 would be .449, or 44.9%.

STEP 1: Student's Title IV Aid Information

	Net Amount Disbursed	Net Amount That Could Have Been Disbursed		Amount Disbursed	Amount That Could Have Been Disbursed
1. Unsubsidized FFEL/Direct Stafford Loan			5. Pell Grant		
2. Subsidized FFEL/Direct Stafford Loan			6. FSEOG		
3. Perkins Loan			7. Other Title IV programs* *Do not include FWS		
4. FFEL/Direct PLUS					

A. Total Title IV aid disbursed (NOT aid that could have been disbursed) for the payment period or period of enrollment **A** $.

B. Total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment **B** $.

STEP 2: Percentage of Title IV Aid Earned

C. • If school is not required to take attendance and student withdrew without notification, enter 50% in Box C and proceed to Step 3 OR school may enter a last date of attendance at an academically-related activity for "withdrawal date" and proceed from there.

- Withdrawal date ___/___/___ Payment period/period of enrollment start date ___/___/___ end date ___/___/___
- Percentage of payment period or period of enrollment completed

  Determine the calendar days completed in the payment period or period of enrollment divided by the total calendar days in the payment period or period of enrollment (exclude scheduled breaks of 5 days or more AND days that the student was on approved leaves of absence)

  _____ (completed days) ÷ _____ (total days) = _____ %

  If this amount is less than or equal to 60%, enter this amount in Box C. If this amount is greater than 60% (with or without rounding), enter 100% in Box C.

C . %

STEP 3: Amount of Title IV Aid Earned by the Student

D. Percentage of Title IV aid earned (Box C) x the total of Title IV aid disbursed plus the Title IV aid that could have been disbursed for the payment period or period of enrollment (Box B)

_____ % (Box C) x _____ (Box B) = **D** $.

STEP 4: Total Title IV Aid to be Disbursed or Returned

If the amount in Box D is greater than the amount in Box A, go to item E. If the amount in Box A is greater than the amount in Box D, go to item F. **If the amounts in Boxes A and D are equal, STOP. No further action is necessary.**

E. ***Post-withdrawal disbursement.*** Subtract Title IV aid disbursed for the payment period or period of enrollment (Box A) from the amount of Title IV aid earned (Box D). This is the amount of the post-withdrawal disbursement due. Stop here and go to the post-withdrawal disbursement tracking sheet.

_____ (Box D) – _____ (Box A) = **E** $.

F. ***Title IV aid to be returned.*** Subtract the amount of Title IV aid earned (Box D) from Title IV aid disbursed for the payment period or period of enrollment (Box A). This is the amount of Title IV aid that must be returned.

_____ (Box A) – _____ (Box D) = **F** $.

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Student's Name _____ **Social Security Number** _____

STEP 5: Amount of Unearned Title IV Aid Due from the SCHOOL

G. Institutional charges for the payment period or period of enrollment

Tuition and Fees _____ Board _____ Other _____
Room _____ Other _____ Other _____

Total Institutional Charges **G** $.

H. Percentage of Title IV aid unearned (100% - Box C) **H** . %

I. Multiply institutional charges for the payment period or period of enrollment (Box G) times the percentage of Title IV aid unearned (Box H). [ ] (Box G) X [%] (Box H) = **I** $.

J. Compare the amount of Title IV aid to be returned (Box F) to Box I and enter the lesser amount. **J** $.

STEP 6: Return of Funds by the SCHOOL

The school must return the unearned aid for which the school is responsible (Box J) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source.

	Amount for School to Return		Amount for School to Return
1. Unsubsidized FFEL/Direct Stafford Loan		5. Pell Grant	
2. Subsidized FFEL/Direct Stafford Loan		6. FSEOG	
3. Perkins Loan		7. Other Title IV programs	
4. FFEL/Direct PLUS			

STEP 7: Initial Amount of Unearned Title IV Aid Due from the STUDENT

K. Subtract the amount of Title IV aid due from the school (Box J) from the amount of Title IV aid to be returned (Box F). [ ] (Box F) – [ ] (Box J) = **K** $.

STEP 8: Return of Funds by the STUDENT

The student (or parent for a PLUS loan) must return unearned aid for which the student is responsible (Box K) by repaying funds to the following sources, in order, up to the total net amount disbursed from each source, after subtracting the amount the school will return. Amounts to be returned to grants are reduced by 50%.

	Amount for Student to Return		Initial Amount to Return		Amount for Student to Return
1. Unsubsidized FFEL/Direct Stafford Loan*		5. Pell Grant		x 50%=	
2. Subsidized FFEL/Direct Stafford Loan*		6. FSEOG		x 50%=	
3. Perkins Loan*		7. Other Title IV programs (x 50% for grant funds)			
4. FFEL/Direct PLUS*					

*Loan amounts are returned in accordance with the terms of the promissory note. No further action is required other than notification to the holder of the loan of the student's withdrawal date.

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Post-Withdrawal Disbursement Tracking Sheet

Student's Name _____ **Social Security Number** _____

Amount of Post-Withdrawal Disbursement

A. Amount from Box E of "Treatment of Title IV Funds When a Student Withdraws" Worksheet **A** $ _____

Post-Withdrawal Disbursement Credited to Student's Account

B. Total outstanding charges on student's account **B** $ _____

C. Total amount of post-withdrawal disbursement credited to student's account

- Amount of post-withdrawal disbursement credited for tuition, fees, room and board (if student contracts with the institution) $ _____
- Amount of post-withdrawal disbursement credited for other current charges + $ _____
- Amount of post-withdrawal disbursement credited for minor prior year charges + $ _____

Total Amount Credited to Account **C** $ _____

D. Student and/or parent authorization to credit account for other current charges or minor prior year charges (if necessary) obtained on ___/___/___

E. If a post-withdrawal disbursement of loan funds is credited to account, date of notification to student and/or parent ___/___/___

Post-Withdrawal Disbursement Offered to Student/Parent

F. Total amount of post-withdrawal disbursement (Box A) – amount of post-withdrawal disbursement credited to student's account (Box C) = Total amount to offer to student/parent **F** $ _____

G. Notification sent to student and/or parent on ___/___/___

H ☐ Response received from student/parent on ___/___/___

☐ Response not received

I. Amount accepted **I** $ _____

J. Accepted funds sent on ___/___/___

Post-Withdrawal Disbursement Made From

Pell Grant	_____	Subsidized FFEL/Direct Stafford Loan	_____
FSEOG	_____	Unsubsidized FFEL/Direct Stafford Loan	_____
Other Title IV programs (grants)	_____	Perkins Loan	_____
		FFEL/Direct PLUS	_____
		Other Title IV programs (loans)	_____

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Appendix

GLOSSARY

academic year

A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete:

- for an educational program whose length is measured in credit hours: 24 semester hours, 24 trimester hours, or 36 quarter hours *or*
- for an educational program whose length is measured in clock hours: at least 900 clock hours.

However, there is an exception for those schools that have at least a two-year program that awards an associate degree or a four-year academic program that awards a bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.

accrediting agency

An agency that sets educational standards for schools, evaluates schools, and certifies that schools have met these standards.

administrative capability

A school must show that it has the administrative capability and the financial responsibility to participate in U.S. Title IV student aid programs. Administrative capability covers specific areas in the management of an institution. These areas include:

- establishing and maintaining student records and financial records;
- submitting ED-required reports;
- designating a capable Title IV financial aid administrator at an institution;
- establishing school procedures for Title IV programs;
- communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility;
- dividing the functions of authorizing payments for Title IV funds and disbursing Title IV funds;
- establishing an adequate satisfactory academic progress policy; *and*
- employing an adequate number of qualified staff.

For further information, refer to 34 CFR 668.16. See *financial responsibility*.

aggregate loan limit

The borrower's maximum allowable unpaid principal amount throughout the student's academic career. The outstanding principal is calculated by adding the total outstanding amount guaranteed after subtracting any refunds, prepayments, payments, cancellations, funds discharged, or any other reductions to the principal. Capitalized interest or any collection costs that may have been added to the principal balance are not included in the borrower's aggregate loan limit.

allowable charges

Educational expenses that a student incurs and that ED permits a school to charge to a student's school account and to pay using Title IV funds. These items may include current tuition and fees and room and board (if the student contracts with the school for these services). Other current charges that a student incurs for educationally related activities may be considered allowable charges if the school obtains the student's authorization (or parent's authorization for PLUS Loan funds) to have such charges paid with Title IV funds. Allowable charges may also include certain minor charges for the previous award year.

audit

Independent examinations of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the school is:

- maintaining effective control over revenues, expenditures, assets, and liabilities;
- properly accounting for resources, liabilities, and operations;
- producing financial reports that contain accurate, reliable, and useful financial information and that are accurately presented; *and*
- complying with applicable laws, regulations, and ED directives.

A financial audit also studies and evaluates the institution's internal accounting and administrative controls, as well as the policies, procedures, and practices used in administering student financial assistance programs. See *independent audit.*

audit exceptions

School actions identified through an audit that are not in compliance with U.S. guidelines.

Audit Guide

An ED reference manual designed to guide independent auditors who are performing audits of Title IV student financial aid program funds at institutions.

audit report

A report prepared by ED after an audit is performed. In a non-ED audit, this report is prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide.* See *federal audit.*

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audit trail

A clear (easily followed) trail that maintains required documentation to support each school transaction that deals with receiving and expending U.S. federal funds.

authorization (legislative)

A U.S. congressional legislative act that establishes a funding program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.

award

As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, approving financial assistance to students.

business office

The school office responsible for an institution's financial accounting, including Title IV aid program accounting. The office disburses financial aid award payments to students and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. See *separation of functions.*

cancellation (of a loan)

Loan cancellation can occur with Federal Family Education Loans (FFELs). Students who are engaged in certain public services identified by ED may have their loans canceled. A student must make application and meet specific requirements set by ED to have all or part of his or her loan canceled (including interest). FFEL loans may also be canceled if the borrower dies or becomes totally or permanently disabled; if the loan is discharged in bankruptcy; if the school closed before the borrower completed his or her program; or if the school falsely certified or originated the loan.

capitalizing interest

A process in which interest that has accrued but has not been paid is added to the loan principal for the FFEL. Capitalizing is a consequence of delaying interest payments; it increases the amount of the principal and, consequently, the total amount that must be repaid.

Case Management and Oversight Service

A division in ED responsible for institutional audit resolution, program review, financial statement analysis, initial certification, and recertification.

cash management

A set of established rules and procedures a school must follow to disburse and return U.S. Title IV funds to ED.

Central Processing System

ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates Expected Family Contributions (EFCs). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's National Student Loan Data System. See *National Student Loan Data System (NSLDS).*

certificate- or degree-seeking student

A student who is enrolled in a course for credit and who is recognized by the school as seeking a degree or certificate.

Code of Federal Regulations

The compilation of all U.S. regulations and procedural rules. Regulations implementing Title IV programs appear in Title 34.

cohort default rate

The percentage of a school's Stafford and SLS loan borrowers who default before the end of the fiscal year following the fiscal year in which they entered repayment on their loans. ED calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. High default rates can result in the loss of a school's eligibility to participate in the FFEL Program.

collection costs

Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan accounts.

completor

A student is counted as a completor if:

- the student completed his or her program within 150 percent of the normal time for completion from that program *or*
- the student has completed a transfer preparatory program within 150 percent of the normal time for completion from that program.

compliance audit

See *audit* and *independent audit.*

composite score

ED uses the composite score to determine whether institutions demonstrate financial responsibility under the regulations in Subpart L of 34 CFR 668. Institutions provide the information that is used to perform these calculations in their required annual financial statement audits. See *financial responsibility.*

corrective action

As part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a postsecondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution from ED.

corrective action plan

A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any ED-determined violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.

correspondence course

A "home study" course provided by an institution where the institution provides instructional materials, including examinations on the materials, to students who are not physically attending classes at the institution. A home-study course that provides instruction in whole or part through the use of video cassettes or video discs in an award year is a correspondence course unless the institution also delivers the instruction on the cassette or disc to students who are physically attending classes at the institution during the same award year. A telecommunications course is a correspondence course if the sum of telecommunications and other correspondence courses offered by the institution equals or exceeds 50 percent of the total courses offered at the institution.

cost of attendance

Section 472 of the Higher Education Act of 1965, as amended (HEA), gives specific statutory parameters for determining a student's cost of attendance (COA) for Title IV aid programs. A student's COA includes tuition and fees, room and board expenses while attending school, allowances for books and supplies (which can include the cost of buying or renting a computer), transportation, loan fees (if applicable), dependent care costs (if applicable), costs related to a disability (if applicable), and other miscellaneous expenses.

In addition, reasonable costs for a study-abroad program and costs associated with a student's employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The COA is determined by the school. The COA is compared to a student's Expected Family Contribution (EFC) to determine the student's need for aid (COA – EFC = student's need).

credit history

A credit history is an informative listing detailing how a person pays his or her creditors and whether he or she is creditworthy. A credit history is requested when a parent applies for a Federal PLUS Loan on behalf of a student.

"Dear Colleague" Letter

See *"Dear Partner Letter."*

"Dear Partner" Letter

A communication from ED, formerly known as a "Dear Colleague Letter," that explains and clarifies ED's guidance regarding U.S. regulations and statutes.

default

The failure of a borrower (or endorser or comaker, if any) to make installment payments when due or to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where ED or the guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay a loan, provided that this failure persists for the most recent consecutive 270-day period (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments).

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deferment (of a loan)

A period during which repaying loan principal is suspended as a result of the borrower meeting one or more of a number of situations or categories established by law. The borrower does not pay interest on *subsidized* loans during deferment; interest continues to accumulate during deferment of an *unsubsidized* loan. Compare *forbearance (on a loan)*.

delivery

The process of FFEL loan proceeds being transmitted from a school to a borrower. See *disbursement*.

delivery system

The process by which students apply for U.S. student financial aid, are awarded funds, and use those funds to pay the cost of attendance they incur when they enroll in an eligible program of study at an eligible school.

disbursement

The process by which Title IV program funds are transferred to a student (or parent borrower for PLUS Loan funds). A school that has received a disbursement may release the funds to the student or parent by:

- paying a student or parent directly:
  - by check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing from the FFEL PLUS Program, requiring the endorsement or certification of the student's parent);
  - by initiating an electronic funds transfer (EFT) to a bank account designated in writing by the student (or, in the case of a parent borrower, an account designated in writing by the parent); or
  - by dispensing cash to the student for which the school obtains a signed receipt from the student; *or*
- crediting a student's school account and notifying the borrower.

See *delivery*.

discharge

See *cancellation (of a loan)*.

disclosure statement

A statement provided to the borrower by the lender that includes such items as the lender's name, number, and correspondence address; notice of possible transfer or sale of loan; the principal amount of loan; any applicable charges; and the actual interest rate.

earned aid

The amount of financial aid a student is eligible for and entitled to based on the student's period of enrollment. It is used to compute whether FFEL funds must be returned when a student withdraws. Compare *unearned aid*.

electronic funds transfer (EFT)

The electronic transfer of Stafford or PLUS Loan proceeds from the lender to an account at the school, to the school's financial institution, or to the student.

eligible institution

A public or private nonprofit institution of higher education or a graduate proprietary medical or veterinary school that meets all the criteria to participate in Title IV student financial aid programs. Some guarantors may require schools to complete a separate agency-specific participation agreement.

eligible student

The definition of a student who is eligible to receive federal financial aid from ED is discussed in detail in 34 CFR 668.7.

emergency action

An action for cause taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:

- receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; *and*
- determines that immediate action is necessary to prevent misuse of U.S. funds.

See *limitation, suspension, or termination (LS&T)* and *Program Participation Agreement.*

enrolled

The status of a student who has completed the registration requirements (except for the payment of tuition and fees) at the institution he or she is attending.

enrollment period

The period of time for which a borrower's loan is intended. For a school that uses academic terms (semester, trimester, or quarter), an enrollment period must coincide with one or more terms or with an academic year. For a school that does not use academic terms, an enrollment period must coincide with the length of a student's program of study or an academic year.

enrollment status

At those institutions using semesters, trimesters, or quarters, and measuring progress in credit hours, enrollment status equals a student's credit-hour course load. At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load.

entrance counseling

Each institution participating in the FFEL Programs (excluding Federal PLUS Loans) must offer loan counseling, called "entrance counseling," to first-time loan borrowers. The institution must offer this counseling before the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower's rights and responsibilities, the terms and conditions of the loan, the use of a Master Promissory Note, and the consequences of default. Compare *exit counseling.*

entrance interview

A meeting conducted before the beginning of a financial aid audit between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by an ED official before conducting a program review. See *audit*. Compare *exit interview*.

equity ratio

One of the ratios used by ED to gauge a school's financial responsibility. The equity ratio is:

- *For proprietary schools:* $\frac{\text{Modified Equity}}{\text{Modified Assets}}$
- *For private, nonprofit schools:* $\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$

For further definitions and other details, refer to 34 CFR 668.172 and 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).

estimated financial assistance

The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, and financial need-based employment.

exit counseling

Each institution participating in the FFEL Programs (excluding Federal PLUS Loans) must offer loan counseling called "exit counseling" to loan borrowers. In the case of FFEL student borrowers, the interview must take place shortly before the borrower ceases to be enrolled at least half time. During the interview, the borrower's rights and responsibilities are reviewed, details about handling loan repayment are discussed, and the consequences of default are explained. The availability of ED's Student Loan Ombudsman's Office is also discussed. The average anticipated monthly repayment amount and the average indebtedness of the school's borrowers must be disclosed. Borrowers are also required to provide updated personal information, such as address, telephone number, employer (if known), and driver's license and the state where it was issued (if the student has a license). Compare *entrance counseling*.

exit interview

A closing meeting, following the completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by an ED official after conducting a program review. See *audit*. Compare *entrance interview*.

Expected Family Contribution (EFC)

The figure that indicates how much of a family's financial resources should be available to help meet a student's postsecondary education expenses. This figure, determined according to a statutorily defined method known as need analysis, is used for all students in determining the amount the student is eligible to borrow.

federal audit

A financial and/or compliance audit conducted by an office or officer of a U.S. federal agency, such as a representative from ED's Office of Inspector General.

Federal Family Education Loan Program

The Federal Family Education Loan (FFEL) Program is made up of:

- Federal Stafford Loans (subsidized,
- Federal Stafford Loans (unsubsidized),
- Federal PLUS Loans (for parents), *and*
- Federal Consolidation Loans.

All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the U.S. government for all or part of any insurance claims paid to lenders. This insurance replaces the collateral or security usually required with long-term consumer loans.

Federal PLUS Loan

Parents may borrow this FFEL Program loan on behalf of their undergraduate dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Parents must not have an adverse credit history.

Federal Register

The government publication, published each weekday (except U.S. federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED makes appropriate *Registers* available on ED's Web site at http://SFA4Schools.ed.gov.

Federal Stafford Loan (subsidized)

An FFEL Program loan that provides federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student financial need. The loan formerly was part of the Guaranteed Student Loan Program. In 1987, it was renamed to honor Senator Robert T. Stafford; later, the word "Federal" was added to its name. See *Unsubsidized Federal Stafford Loan.*

Final Audit Determination Letter

ED's evaluation of findings and recommendations included in an audit report and the issuance of a final decision by ED management, including actions determined to be necessary.

Final Program Review Determination

The letter ED sends to school officials to close out the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating issues that are considered "resolved" and those the school failed to resolve (for example, assessment of liabilities the school must pay to ED). The school has the right to appeal the FPRD with ED's internal appeal procedures.

final regulations

U.S. government operating rules published in the *Federal Register.* When published, final regulations have the force of law; generally they take effect on the date published in the *Federal Register.* See *Federal Register* and *Notice of Proposed Rulemaking.*

financial aid history

A financial aid history is a document that lists a borrower's total outstanding balance of loans borrowed as well as his or her most recent loans. It also tells the institution if the student owes an overpayment or is in default on Title IV funds and is therefore ineligible for further Title IV aid.

financial aid transcript

A document formerly used by institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Schools now retrieve a student's prior award-year data from the National Student Loan Data System (NSLDS).

financial need

The difference between the student's cost of attendance (COA) at a specific institution and the student's Expected Family Contribution (EFC) plus the student's estimated financial assistance.
[COA – (EFC + EFA)= student's financial need.]
See *cost of attendance* and *Expected Family Contribution.*

financial responsibility

An institution must show that it has the financial responsibility and the administrative capability to participate in U.S. Title IV student aid programs. Financial responsibility covers general standards that institutions must meet. The standards include those for proprietary, private nonprofit, and public institutions and cover the past performance of an institution and persons affiliated with an institution. For further information, refer to 34 CFR 668, Subpart K; *Federal Register,* November 25, 1997; see also *administrative capability.*

financial statement

A report prepared at the end of a school's fiscal year that provides an overview of the institution's financial activities for that fiscal year. Financial statements are audited by an independent public accountant and submitted to ED according to applicable regulations.

findings

See *program review exceptions.*

fiscal operations

Activities related to managing and completing financial transactions. Funds management, including student accounts, is the primary responsibility of an institution's business office.

fiscal year

A 12-month period between settlements of financial accounts.

forbearance (on a loan)

When a Federal Family Education Loan (FFEL) Program lender allows a *temporary* cessation of payments or reduction of payment amounts for subsidized or unsubsidized Federal Stafford or Federal PLUS Loans. In doing so, it allows an extended period for making payments or accepts smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment. Interest expenses continue to accrue during forbearance. Forbearance is an option of the FFEL Program lender or ED. However, there are a few circumstances where granting forbearance to FFEL borrowers is mandatory. See 34 CFR 682.211(i). Compare *deferment (of a loan).*

Free Application for Federal Student Aid (FAFSA)

A student financial aid application form completed by a student and his or her family. It is the ED input document that serves as the foundation for all need analysis computations. The FAFSA gathers all the data to calculate the Expected Family Contribution (EFC). See *Expected Family Contribution, need analysis,* and *renewal FAFSA.*

full-time student

A student enrolled in an institution of higher education (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in that student's particular program. The student's workload may include any combination of courses, work, research, or special studies, whether or not for credit, that the school considers sufficient to classify the student as a full-time student. See *enrollment status* for certain requirements that undergraduate students must meet to qualify as full time for purposes of the Title IV programs. At schools using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

At nonterm institutions using credit hours, enrollment status for a full-time undergraduate student is 24 semester hours or 36 quarter hours for an academic year.

At schools measuring progress in clock hours, a full time undergraduate student receives 24 clock hours of instruction in one week.

For a program using both credit and clock hours and either a semester, trimester, or quarter system, an undergraduate student is full time if the following exceeds one (1):

$$\frac{\text{Number of credit hours per term}}{12}$$

plus

$$\frac{\text{Number of clock hours per week}}{24}$$

For other programs using both credit and clock hours but not using a semester, trimester, or quarter system, an undergraduate student is full time if the following exceeds one:

$$\frac{\textit{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\textit{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

A school is responsible for determining the minimum number of credit or clock hours for a full-time graduate student.

General Education Development (GED) Certificate

A state certificate received by a student after the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma.

generally accepted accounting principles (GAAP)

A common set of standards that is generally accepted and universally practiced in the United States. These accounting standards indicate how to report economic events.

grace period

The time period relating to Stafford Loans that begins the day after a loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts.

graduated repayment

A repayment schedule under which the amount of the borrower's installment payment is scheduled to change (usually by increasing in two or three increments) during the course of the repayment period. The *minimum* payment must cover interest that accumulates monthly. No scheduled payment can exceed an amount three times any other scheduled payment.

graduate or professional student

A student enrolled in a program that leads to a degree higher than a baccalaureate degree. To be classified as a graduate or professional student, the student must have completed at least three years of full-time study at an institution of higher education and may not be concurrently receiving Title IV aid as an undergraduate student.

guaranty agency

A state agency or private, nonprofit institution or organization that administers financial aid programs within the Federal Family Education Loan (FFEL) Program. A major function is to insure FFEL Program loans. The U.S. government reimburses guaranty agencies for all or part of insurance claims they pay to lenders.

Higher Education Act of 1965, as amended (HEA)

Landmark national higher education act passed by the U.S. Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of U.S. postsecondary student financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it every five years or to extend the legislation for up to one additional year. The most recent reauthorization was in 1998. The statute's most current version, as amended, always stands as the official version of the law. See *reauthorization* and *Title IV student financial aid.*

Higher Education Amendments of 1992

Congressional amendments and changes to the Higher Education Act of 1965, as amended (HEA), put in place during the 1992 reauthorization of the HEA. They became U.S. law on July 23, 1992. Sometimes referred to as "the 1992 Amendments."

Higher Education Amendments of 1998

Changes, additions, and reauthorization of the Higher Education Act of 1965, as amended (HEA), made in 1998. Although President Bill Clinton signed the bill on October 7, 1998, most of the amendments became effective on October 1, 1998. The 1998 amendments to the HEA are also known as Public Law 105-244.

income sensitive repayment

A repayment schedule for some FFEL Program loans under which the borrower's monthly payment amount is adjusted annually, based on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

independent audit

See *audit* and *nonfederal audit.*

independent auditor

An accountant who is a public accountant or government auditor who:

- is free from personal and external impairments to independence;
- is organizationally independent; *and*
- maintains an independent attitude and appearance.

For foreign schools that receive $500,000 or more in Title IV, HEA program funds during their most recent fiscal year, the auditor must meet the U.S. government auditing standards, qualification and independence standards, including standards relating to organizational independence. For the remaining foreign schools the auditor must meet the standards generally accepted in the institution's home country. See *nonfederal audit.*

Institutional Student Information Record (ISIR)

An electronic output document generated by ED's Central Processing System (CPS) that summarizes information submitted on a student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations, including the student's Expected Family Contribution (EFC), on the basis of the submitted data. It is available to schools through the Electronic Data Exchange (EDE). The ISIR includes full applicant data and information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR).*

interest

The charge made to a borrower for the use of a lender's money.

interest benefits

The interest payments (benefits) made by ED to an FFEL Program lender on behalf of a student receiving a subsidized loan. These payments are based on the student's subsidized Federal Stafford Loan interest rate but pertain only to certain periods: the student's enrollment (at least half time), the grace period, and authorized deferment periods. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *special allowance.*

limitation, suspension, or termination (LS&T)

Actions undertaken by ED against a postsecondary institution that has either:

- violated the laws or regulations governing Title IV and/or Title VII student financial aid programs, the Program Participation Agreement (PPA), or any other agreement made under the law or regulations *or*
- substantially misrepresented the nature of its educational program, its financial charges, or the employability of its graduates.

These ED actions against the institution may include proceedings to limit, suspend, or terminate (LS&T) the school's participation in U.S. student financial aid programs; to assess fines up to $25,000 for each statutory or regulatory violation; and/or to implement emergency action, including an immediate withholding of additional Title IV, HEA program funds.

A *limitation* means the postsecondary institution must abide by certain specific restrictions or conditions in its administration of student financial aid programs as a condition of continued participation in any of those programs. If a postsecondary institution fails to abide by the limitation's conditions, loss of eligibility may result. An institution cannot apply for removal of the limitation earlier than 12 months from its date.

A *suspension* removes an institution from participating in Title IV and Title VII student financial aid programs for a period not to exceed 60 days unless a limitation or termination proceeding has begun. In general, suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.

A *termination* ends a postsecondary institution's participation in Title IV and Title VII programs.

A *terminated institution* can be reinstated at a later date by ED to participate in Title IV and Title VII programs.

However, at least 18 months must elapse from the school's termination before an institution can request reinstatement. The request must be in writing. See *emergency action* and *Program Participation Agreement (PPA).*

loan disclosure statement

A statement sent to a loan borrower by the lender before or at the time it disburses a loan, as well as before the start of the repayment period. The purpose of the disclosure statement is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as the:

- amount of the loan;
- interest rate;
- fees and charges;
- date repayment must begin;
- maximum length of the repayment;
- minimum annual repayment;
- deferment conditions; *and*
- definition of default.

master check

A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers as of a given disbursement date. A master check must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers who are to receive a portion of the master check.

Master Promissory Note (MPN)

A legal and binding document between the borrower and the lender that obligates him or her to repay the loan according to its terms.

multiple disbursement

Disbursement at predesignated times of a Federal Stafford or PLUS Loan, usually in two or more installments of approximately equal increments. The requirement does not apply to foreign schools.

National Student Loan Data System (NSLDS)

An ED database that collects and maintains data on recipients from:

- the Federal Family Education Loan (FFEL) Program;
- the William D. Ford Federal Direct Loan Program;
- the Federal Perkins Loan Program (including National Defense Student Loans, NDSLs, and Income Contingent Loans);
- the Federal Pell Grant Program; *and*
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

This database receives reports weekly or monthly using information provided by:

- ED's Central Processing System (CPS);
- ED's Debt Collection Service (DCS);
- ED's Postsecondary Education Participant System (PEPS);
- ED's Direct Loan Servicing Center (DLSC);
- ED's Recipient Financial Management System (RFMS);
- schools;
- lenders; *and*
- guaranty agencies.

need analysis

The method defined in the Higher Education Act of 1965, as amended (HEA), for determining financial need based on Expected Family Contributions (EFCs) for all students applying for U.S. student financial aid. See *cost of attendance* and *Expected Family Contribution.*

net income ratio

Under the financial responsibility regulations, the net income ratio is:

- *For proprietary schools:* $\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$
- *For private, nonprofit schools:* $\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenues}}$

For further definitions and other details, refer to 34 CFR 668–Subpart K, 668.172 and Appendices F (proprietary) and G (private, nonprofit).

nonfederal audit

An institutional financial statement and/or compliance audit conducted by an independent public accountant who has been hired by the institution. Also called an independent audit. See *audit* and *independent auditor.*

nonprofit

Any school or organization that, under applicable law, is neither formed nor maintained with the purpose of making a profit.

normal time

Normal time is the amount of time ordinarily necessary for a student to complete all requirements for a degree or certificate according to the school's catalog. This typically is:

- four years (eight semesters or trimesters, or 12 quarters, excluding summer terms) for a bachelor's degree in a standard term-based school;
- two years (four semesters or trimesters, or six quarters, excluding summer terms) for an associate degree in a standard term-based school; *and*
- the various scheduled times for certificate programs.

Notice of Proposed Rulemaking (NPRM)

Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations.

All proposed regulations are subject to this process, including those produced through negotiated rulemaking.

- An exception to the notice and comment requirement is if ED determines that it is impractical, unnecessary, or contrary to the public interest to go through this process. When this exception applies, ED publishes the basis for its determination.

See *Federal Register* and *final regulations.*

ombudsman

An official employed by ED to help students resolve disputes related to an FFEL loan. The ombudsman informally conducts impartial fact-finding about borrower complaints and recommends solutions, but he or she does not have authority to reverse decisions.

order of return of Title IV funds

A prescribed order of returning unearned Title IV funds to ED. It requires that funds are credited first to outstanding loan balances for the enrollment period for which a return is required and that the funds are returned in the following order:

1. Unsubsidized Federal Stafford Loans
2. Subsidized Federal Stafford Loans
3. Federal PLUS Loans received on behalf of the student.

Because foreign schools are not eligible to participate in other Title IV programs, returns made in the order just stated should include the total amount of unearned funds.

overaward

Any amount of a student's total financial assistance that exceeds the loan limit requirements.

overpayment

Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. The student would be required to repay excess funds received *unless* adjustments could be made to the student's aid during subsequent payment periods within the same award year. See *repayment.*

period of enrollment

See *enrollment period.*

personal identification numbers

Personal identification numbers (PINs) are 4-digit numbers assigned to students by ED. PINs are used to electronically identify a student. Students can use their PINs to access their FAFSA data, to make corrections to that data, and to electronically sign an initial FAFSA on the Web or Renewal FAFSA on the Web.

PLUS Loan

See *Federal PLUS Loan.*

policies and procedures manual

An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require that such a manual be used, it recommends that a school compile one, especially as U.S. financial aid regulations require schools to have, maintain, and disclose certain written policies.

primary reserve ratio

Under the financial responsibility regulations, the primary reserve ratio is:

- *For proprietary schools:* $\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$
- *For private, nonprofit schools:* $\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$

For further definitions and other details, refer to 34 CFR–Subpart K, 668.172 and Appendices F (proprietary) and G (private, nonprofit).

principal and interest

Principal is the loan amount borrowed. Interest is the amount the FFEL lender charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to the lender.

Program Participation Agreement (PPA)

A written agreement that must be signed by both a top official at an institution and ED that permits the institution to participate in Title IV's FFEL Programs. The signed agreement makes the institution's initial and continued eligibility to participate in the Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution. Schools also have to be recertified as Title IV-eligible by the U.S. Secretary of Education at regular intervals, which also requires re-execution of the agreement. See *emergency action* and *limitation, suspension, or termination (LS&T).*

program review — The process in which the management of one or more U.S. financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with U.S. laws and regulations and certain school policies. The process may also review the institution's overall management and administrative capabilities.

program review exceptions — Institutional policies, procedures, or actions related to U.S. student financial aid programs cited in a program review report as being contrary to U.S. laws or regulations that govern the programs. Also referred to as findings.

promissory note — A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower.

reauthorization — The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to six years in the case of the Higher Education Act (HEA), during which time Congress reviews and then renews, terminates, or amends existing programs. (The most recent HEA reauthorization was in 1998.) See *Higher Education Act of 1965, as amended (HEA)*, and *Title IV student financial aid*.

refund policy — A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school by or on the student's behalf. The policy also determines the amount of that refund.

regular student — A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.

Renewal FAFSA — A partially completed application form that a current U.S. student financial aid applicant updates to be eligible to receive Title IV financial aid for the (next) award year. To use the Renewal FAFSA, the student must have submitted a FAFSA applying for (although not necessarily receiving or accepting) U.S. financial aid for the preceding award year. A student may access his or her Renewal FAFSA on the Web. Alternatively, a paper renewal aid application can be mailed directly to the student by the school or ED's Central Processing System (CPS). Completed Renewal FAFSAs are then returned to the CPS. See *FAFSA (Free Application for Federal Student Aid)*.

repayment period — The period during which payments by the borrower of principal and interest on a loan are required. The repayment period follows any applicable in-school or grace period and excludes any period of authorized deferment or forbearance.

repayment schedule — A specific timetable that details the amount due in each repayment installment and the number of payments that will be required to pay off the loan in full. Additionally, a repayment schedule lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments.

return of Title IV funds

When a recipient of Title IV aid withdraws from an institution during a payment period or an enrollment period in which the recipient began attendance, the institution must calculate the amount of Title IV aid the recipient did not earn. Unearned Title IV funds must be returned to the appropriate Title IV programs.

satisfactory academic progress

A satisfactory rate of student course completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year or halfway through the published length of the program, whichever is shorter, and document that students who are receiving Title IV aid are making satisfactory academic progress.

selective service

A system existing under U.S. law that provides manpower to the U.S. Armed Forces in an emergency and serves as an Alternative Service Program for men classified as conscientious objectors during a draft.

separation of functions

As a part of administering U.S. student financial aid programs, a school is required to establish and maintain a checks-and-balances, internal-control system that ensures that no single school office or individual can both authorize payments of Title IV aid and disburse or deliver those funds to students or student accounts. Often this required separation is created by dividing the functions between the school's financial aid office and the school's business office.

site visit

A visit to a school during which an independent auditor, nationally recognized accrediting agency, and/or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See *independent audit.*

skip tracing

Traditionally, searching for someone with unpaid debts who has left without leaving a forwarding address ("skipped"). In a U.S. student financial aid context, this occurs when, for whatever reason, a loan borrower no longer lives at the address where the lender is sending loan billing notices, and the lender or school must attempt to locate the borrower's correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar's office and the alumni office). If the borrower still cannot be located using information from the school or information otherwise available to the lender, the lender or school can use ED's free skip-tracing service to try to locate the missing loan borrower.

special allowance

A percentage of the average unpaid principal balance that may be paid to the lender of FFEL Program loans by ED. In effect, ED pays extra interest on the loan to the lender in addition to the base interest charged on subsidized and unsubsidized loans. This amount makes up the difference between the rates charged to FFEL Program borrowers and market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury bill rates.

Stafford Loan

See *Federal Stafford Loan (subsidized)*, and *Unsubsidized Federal Stafford Loan.*

standard repayment

A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period or pays an amount that is adjusted only to reflect annual changes in the loan's variable interest rate. The standard repayment schedule cannot exceed 10 years, excluding in-school, grace, deferment, and forbearance periods.

Student Aid Internet Gateway (SAIG)

ED network that provides an electronic, Web-based link between schools and ED's various databases. Formerly called the Title IV Wide Area Network (TIV WAN).

Student Aid Report (SAR)

The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA). It also provides financial-need calculations, including the student's Expected Family Contribution (EFC) based on the submitted figures. The student can make the corrections and return pages 5 through 8 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. See *Student Aid Report (SAR) Information Acknowledgement.*

Student Aid Report (SAR) Information Acknowledgement

The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted electronically (either by the student through FAFSA on the Web or by the school through ED's Electronic Data Exchange) on the student's Free Application for Federal Student Aid (FAFSA). It also provides financial-need calculations, including the student's Expected Family Contribution, based on the submitted figures. A student cannot use this document to make corrections. See *Student Aid Report.*

Student Status Confirmation Report (SSCR)

The SSCR is a monitoring device to help determine when student borrowers must begin repaying their student loans. All schools participating in any of the Title IV programs, as well as nonparticipating schools eligible to process Title IV loan deferments, must submit a Student Status Confirmation Report (SSCR).

Most foreign schools will receive paper SSCRs directly from guaranty agencies. Within 30 calendar days of receiving the SSCR the schools must review the data, make any necessary corrections, and return the SSCR.

A school that is fully operational in reporting SSCR data to the National Student Loan Data System (NSLDS) will receive the SSCR electronically. The school must update the information and return the SSCR to NSLDS within 30 days.

third-party servicer

An individual, a state, or a private, for-profit or nonprofit organization that enters into a contract with Title IV eligible institutions to administer or service any aspect of the institution's participation in any Title IV program.

Title IV programs

Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The programs are administered by the U.S. Department of Education (ED). Title IV programs consist of:

- the Academic Achievement Incentive Scholarship Program;
- the Federal Pell Grant Program;
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program;
- the Federal Perkins Loan Program;
- Federal Family Education Loan (FFEL) Program loans;
- Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP) grants;
- the Leveraging Educational Assistance Partnership (LEAP) Program;
- the Special Leveraging Educational Assistance Partnership (SLEAP) Program grant;
- William D. Ford Federal Direct Loans; *and*
- Robert C. Byrd Honors Scholarships.

See *Higher Education Act of 1965, as amended (HEA).*

Title IV Wide Area Network (TIV WAN)

See *Student Aid Internet Gateway.*

transfer preparatory program

A transfer preparatory program is at least a two-year academic program that is acceptable for full credit toward the equivalent of a bachelor's degree in the United States and qualifies a student for admission into the third year of the equivalent of a bachelor's degree program in the United States.

transfer-out student

A student is counted as a transfer-out student if, by the end of the 12-month period ending August 31 during which 150 percent of the normal time for completion or graduation from his or her program has elapsed, the student has transferred out of the program and enrolled in any program of another eligible institution for which the prior program provides substantial preparation. A school must document that the student actually transferred.

undergraduate student

A student who is enrolled at a school in a course of study above the secondary level, but at or below the baccalaureate level, that usually does not exceed four academic years or is up to five academic years in length and is designed to lead to a first degree.

unearned aid

The amount of Title IV aid that must be returned because a student is not entitled to it. The amount is based on the student's withdrawal date. See *earned aid.*

Unsubsidized Federal Stafford Loan

A U.S. student loan (part of the FFEL Program) that provides low-interest loans to students in undergraduate, graduate, and professional programs. Unsubsidized loans are not awarded on the basis of financial need. Interest on an unsubsidized loan is charged to the borrower throughout the life of the loan. See *capitalizing interest* and *Federal Stafford Loan (subsidized).*

User's Guide

A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, SAIG, and FEDWIRE.

Appendix

B

ACRONYMS

ACH/EFT	Automated Clearinghouse/Electronic Funds Transfer
BBAY	Borrower-Based Academic Year
CAP	Corrective Action Plan
CBT	Computer Based Training
CEO	Chief Executive Officer
CFO	Chief Fiscal/Financial Officer
CFR	*Code of Federal Regulations*
CMO	Case Management and Oversight in the U.S. Department of Education [formerly Institutional Participation and Oversight Service (IPOS)]
COA	Cost of Attendance
COO	Chief Operating Officer
CPA	Certified Public Accountant
CPS	Central Processing System
DCL	"Dear Colleague" Letter
DCS	Debt Collection Service (in the U.S. Department of Education)
DL	Direct Loan
ECAR	Eligibility and Certification Approval Report
ECFMG	Educational Commission for Foreign Medical Graduates
ED	U.S. Department of Education
EDE	Electronic Data Exchange

EFA	Estimated Financial Assistance
EFC	Expected Family Contribution
EFT	Electronic Funds Transfer (see also *ACH/EFT*)
FAA	Financial Aid Administrator
FAD	Final Audit Determination (letter)
FAFSA	Free Application for Federal Student Aid
FAH	Financial Aid History
FAO	Financial Aid Officer
FAQ	Frequently Asked Questions
FAT	Financial Aid Transcript
FBI	Federal Bureau of Investigation
FERPA	Family Education Rights and Privacy Act
FFEL	Federal Family Education Loan [Program]
FFY	Federal Fiscal Year
FMLA	Family and Medical Leave Act of 1993
FPRD	Final Program Review Determination (letter)
FSAIC	Federal Student Aid Information Center
GA	Guaranty Agency
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	General Accounting Office
GAS	Government Auditing Standards
GASB	Governmental Accounting Standards Board
GED	General Educational Development certificate (high school equivalency certificate, based on examination)
HEA	Higher Education Act of 1965, as amended

IFAP	Information for Financial Aid Professionals (Web site)
INS	(U.S.) Immigration and Naturalization Service
IPA	Independent Public Auditor
ISIR	Institutional Student Information Record
ISP	Internet Service Provider
LLR	Lender of Last Resort
LOA	Leave of Absence
LS&T	Limit, Suspend, or Terminate *or* Limitation, Suspension, or Termination
MPN	Master Promissory Note
NCES	National Center for Education Statistics (in the U.S. Department of Education)
NCFMEA	National Committee on Foreign Medical Education and Accreditation
NPRM	Notice of Proposed Rulemaking
NSLDS	National Student Loan Data System
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General (in the U.S. Department of Education)
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education (in the U.S. Department of Education)
OPE-ID	Office of Postsecondary Education Identification Number
PBO	Performance Based Organization
PEPS	Postsecondary Education Participants System
P.L.	Public Law
PLUS	Parent Loan for Undergraduate Students
PPA	Program Participation Agreement
SAIG	Student Aid Internet Gateway
SAP	Satisfactory Academic Progress

SAR	Student Aid Report
SAY	Scheduled Academic Year
SFA	Student Financial Assistance
SRK	Student Right-to-Know [Act]
SSA	(U.S.) Social Security Administration
SSCR	Student Status Confirmation Report
SSN	U.S. Social Security Number
Title IV WAN or TIV WAN	Title IV Wide Area Network (replaced by the Student Aid Internet Gateway [SAIG]
TOEFL	Test of English as a Foreign Language
URL	Uniform Resource Locator
USMLE	U.S. Medical Licensing Exam

Appendix

U.S. REGULATIONS

The Code of Federal Regulations (CFR) is a codification of the general and permanent rules published in the *Federal Register* by the executive departments and agencies of the U.S. government. Regulations relevant to administering the Federal Family Education Loan (FFEL) Program can be found in Volume 34 of the CFR. These regulations, authorized by Title IV of the Higher Education Act of 1965, as amended (HEA), govern how schools, lenders, and servicers administer the FFEL Program.

The Relationship of Law to Regulations

The statutory language that authorizes the Title IV programs specifies many of the eligibility and administrative requirements for participation in the program. Major changes are usually made every six years when the programs are reauthorized. The most recent reauthorization took place with the Higher Education Amendments of 1998. Other changes to the law may be made on an annual basis as a part of the appropriations process. Some legislative changes are incorporated directly into the regulations. In other cases, regulatory language must be developed that explains how the statute is to be implemented.

Proposed Rules, Final Rules, and Notices

New regulations may be issued as proposed regulations or final regulations and are published in a U.S. government publication called the *Federal Register*. Regulations are usually published first as a Notice of Proposed Rulemaking (NPRM). An NPRM includes background information, proposed changes to current regulations, and the address and closing date for receiving comments from the public. After the U.S. Department of Education (ED) receives comments from the public on an NPRM, it reviews the comments, incorporates any needed changes, and publishes final regulations.

In some cases, regulations are not preceded by an NPRM but are published as a Final Rule. When the regulation simply incorporates recent statutory changes, or when ED finds that solicitation of public comments would be impractical and contrary to public interest, final regulations supplement, amend, or replace earlier final regulations. Notices are also published in the *Federal Register* and generally concern procedural matters that do not require a review or comment period. The law requires some notices to be published annually, such as notices of program deadline dates and notices to update need-analysis charts.

How Regulations Are Developed

Regulations are developed by the appropriate organizational unit within ED. The text of the regulation, whether it is a notice, NPRM, or final regulation,

must be reviewed and approved by other offices within ED such as the Office of the General Counsel and the Office of Inspector General. Many proposed regulations undergo negotiated rulemaking, which involves input from members of the education community. After the input from these sources has been incorporated in the regulation or otherwise resolved, the draft regulation is submitted to the Office of Management and Budget (OMB) for review of:

- overall federal policy;
- budget implications;
- potential paperwork burden; *and*
- cost to schools, lenders, guaranty agencies, students, and parents.

The draft regulation is then published for written comments from the public. When ED publishes a proposed regulation, the preamble to the regulation will explain where comments should be sent and specify the length of the comment period. The comment period is usually 30, 45, 60, or 120 days. After the comment period ends, the offices that drafted the regulation review all of the comments, weigh the concerns voiced, and decide whether changes should be made as a result of the comments.

When final regulations are published, they include a summary of the comments received and ED's responses to them. Any changes incorporated into the final regulations that resulted from the comments are noted. In addition, if ED has not made changes for the final regulations as recommended in the comments, ED will explain its reasons for that decision.

Effective Dates

Generally, regulations become effective following a 45-day period prescribed by law that follows immediately after the date of publication in the *Federal Register.* However, if the U.S. Congress adjourns during the 45-day period, some provisions of the regulations may have a later effective date. In addition, some portions of the regulation that include recordkeeping requirements may have other effective dates that depend on the approval of these information collection requirements by OMB. These later effective dates are published in the *Federal Register* when they are known.

The effective dates for a regulation can depend on other constraints, as well. The master calendar specified in the HEA requires major regulations to be published in final form by November 1 in order to be effective for the next award year. The purpose of this provision is to give schools adequate time to adjust to new regulatory changes before the new award year begins on July 1.

How to Read Regulations

Web Site

- http://SFA4schools.sfa.ed.gov

The CFR is organized into 50 titles according to broad subject matter. U.S. federal regulations relating to education are designated as "Title 34 of the Code of Federal Regulations" or "34 CFR." These regulations are available in printed publications as well as online. They can be accessed online at http://sfa4schools.sfa.ed.gov.

The *Compilation of Student Financial Aid Regulations,* an ED publication, contains a table of contents that gives a brief description by title of the program according to broad subject matter. The CFR has a uniform numbering system. The section is the basic unit. The regulations may be sited by the part, subpart, title, and section. The text is divided into descending levels of units. Below is a breakdown of how a regulation is listed:

- Part (682 - specific regulatory area)
- Subpart (682 Subpart B – a single provision of a program/function)
- Section (682.209 – all parts are organized into sections)
- Paragraph (682.209(a) – details specific requirements).

To find a particular regulation you may begin by looking in the table of contents for the specific part. Once you find the part, you should search for the section that applies and descend to the paragraph level that is applicable. See the example on the next page on how to read regulations.

Example:

Part 682 deals with the FFEL Program; Subpart B addresses the general provision of the FFEL Program; Section 682.209 deals with repayment of a loan. Sections are divided into subsections with the following sequential lettering and numbering system: (a), (1), (i), and (A). The first highlighted subsection (shown below) would be referred to as 682.209(a)(2)(i) and covers the PLUS Loan repayment period begin date; the second highlighted subsection would be referred to as 682.209(a)(3)(i)(A).

Sec. 682.209 Repayment of a loan.

(a) *Conversion of a loan to repayment status.* (1) For a Consolidation loan, the repayment period begins on the date the loan is disbursed. The first payment is due within 60 days after the date the loan is disbursed.

(2)(i) For a PLUS loan, the repayment period begins on the date of the last disbursement made on the loan. The first payment is due within 60 days after the date the loan is fully disbursed. Interest accrues and is due and payable from the date of the first disbursement of the loan. → 682.290(a)(2)(i)

(ii) For an SLS loan, the repayment period begins on the date the loan is disbursed, or, if the loan is disbursed in multiple installments, on the date of the last disbursement of the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. Except as provided in paragraph (a)(2)(iii), (a)(2)(iv), and (a)(2)(v) of this section the first payment is due within 60 days after the date the loan is fully disbursed.

(iii) For an SLS borrower who has not yet entered repayment on a Stafford loan, the borrower may postpone payment, consistent with the grace period on the borrower's Stafford loan.

(iv) If the lender first learns after the fact that an SLS borrower has entered the repayment period, the repayment begins no later than 75 days after the date the lender learns that the borrower has entered the repayment period.

(v) The lender may establish a first payment due date that is no more than an additional 30 days beyond the period specified in paragraphs (a)(2)(i)–(a)(2)(iv) of this section in order for the lender to comply with the required deadline contained in Sec. 682.205(c)(1).

(3)(i) Except as provided in paragraphs (a)(4) and (5) of this section, for a Stafford loan the repayment period begins—

(A) For a borrower with a loan for which the applicable interest rate is 7 percent per year, not less than 9 nor more than 12 months following the date on which the borrower is no longer enrolled on at least a half-time basis at an eligible school. The length of this grace period is determined by the lender for loans made under the FISL Program, and by the guaranty agency for loans guaranteed by the agency; → 682.209(a)(3)(i)(A)

(B) For a borrower with a loan for which the initial applicable interest rate is 8 or 9 percent per year, the day after 6 months following the date on which the borrower is no longer enrolled on at least a half-time basis at an institution of higher education and

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Appendix

D

GUARANTY AGENCY DIRECTORY

ALABAMA	1050 U.S. 127 South West Frankfort Office Complex Frankfort, KY 40601-4323	(800) 928-8926 http://www.kheaa.com
ALASKA (FEDERAL LOANS)	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
ALASKA (STATE LOANS)	Alaska Commission on Postsecondary Education Alaska Student Loan Corporation 3030 Vintage Boulevard Juneau, AK 99801-7109	(907) 465-2962 http://www.usafunds.org
ARIZONA	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
ARKANSAS	Student Loan Guarantee Foundation of Arkansas 219 South Victory Street Little Rock, AR 72201-1884	(501) 372-1491 (800) 622-3446 http://slgfa.org
CALIFORNIA	California Student Aid Commission/EDFUND P.O. Box 419045 Rancho Cordova, CA 95741-9045	(916) 526-7900 (877) 233-3863 (students) (888) 223-3357 (schools) http://www.edfund.org
COLORADO	Colorado Student Loan Program Suite 425 999 18th Street Denver, CO 80202-2471	(303) 294-5050 (800) 727-9834 http://www.cslp.org

CONNECTICUT	Connecticut Student Loan Foundation P.O. Box 1009 Rocky Hill, CT 06067	(860) 257-4001 (800) 237-9721 http://www.cslf.com
DELAWARE	Pennsylvania Higher Education Assistance Agency 1200 North 7th Street Harrisburg, PA 17102-1444	(717) 720-2852 (800) 692-7392 http://www.pheaa.org
DISTRICT OF COLUMBIA	American Student Assistance P.O. Box 9154 Boston, MA 02205-9154	(617) 426-9434 (800) 999-9080 http://www.amsa.com
FLORIDA	Florida Department of Education Office of Student Financial Assistance 325 West Gaines Street Collins Building, Room 255 Tallahassee, FL 32399-0400	(850) 488-4095 (800) 366-3475 (loans) http://www.firn.edu/doe/bin00065
GEORGIA	Georgia Higher Education Assistance Corporation Suite 200 2082 East Exchange Place Tucker, GA 30084	(770) 414-3000 (800) 776-6878 http://www.gsfc.org
HAWAII	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
IDAHO	Northwest Education Loan Association 500 Coleman Building 811 First Avenue Seattle, WA 98104	(206) 461-5300 (800) 562-3001 http://www.nela.net
ILLINOIS	Illinois Student Assistance Commission 1755 Lake Cook Road Deerfield, IL 60015	(847) 948-8500 (800) 477-4411 (preclaims) (800) 934-3572 (defaulted loans) http://www.isac1.org

INDIANA	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
IOWA	Iowa College Student Aid Commission 200 10th Street, 4th Floor Des Moines, IA 50309-3609	(515) 281-3501 (800) 383-4222 http://www.state.ia.us/government/icsac
KANSAS	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
KENTUCKY	Kentucky Higher Education Assistance Authority 1050 U.S. 127 South West Frankfort Office Complex Frankfort, KY 40601-4323	(502) 564-7990 (800) 928-8926 http://www.kheaa.com
LOUISIANA	Louisiana Office of Student Financial Assistance P.O. Box 91202 Baton Rouge, LA 70821-9202	(225) 922-1012 (800) 259-5626 http://www.osfa.state.la.us
MAINE	Finance Authority of Maine 1 Weston Court State House Station 119 Augusta, ME 04333	(207) 626-8200 (800) 228-3734 http://www.usafunds.org
MARYLAND	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
MASSACHUSETTS	American Student Assistance 330 Stuart Street Boston, MA 02116-5292	(617) 426-9434 (800) 999-9080 http://www.amsa.com

MICHIGAN	Michigan Higher Education Assistance Authority P.O. Box 30047 Lansing, MI 48909	(517) 373-0760 (800) 642-5626 http://www.mi-studentaid.org
MINNESOTA	Great Lakes Higher Education Corporation P.O. Box 7859 Madison, WI 53707	(608) 246-1800 (800) 236-4300 (800) 354-6980 (defaulted loans) http://www.glhec.org
MISSISSIPPI	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
MISSOURI	Coordinating Board for Higher Education 3515 Amazonas Drive Jefferson City, MO 65109-5717	(573) 751-2361 (800) 473-6757 http://www.mocbhe.gov
MONTANA	Montana Guaranteed Student Loan Program P.O. Box 203101 Helena, MT 59620-3101	(406) 444-6594 (800) 537-7508 (800) 322-3086 (defaulted loans) http://www.mgslp.state.mt.us
NEBRASKA	Nebraska Student Loan Program P.O. Box 82507 Lincoln, NE 68501-2507	(402) 475-8686 (800) 735-8778 http://www.nslp.org
NEVADA	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
NEW HAMPSHIRE	New Hampshire Higher Education Assistance Foundation P.O. Box 877 Concord, NH 03302-0877	(603) 225-6612 (800) 525-2577 http://www.nhheaf.org

NEW JERSEY	New Jersey Higher Education Assistance Authority 4 Quakerbridge Plaza CN540 Trenton, NJ 08625	(609) 588-3200 (800) 792-8670 http://www.hesaa.org
NEW MEXICO	New Mexico Student Loan Guarantee Corporation P.O. Box 25136 Albuquerque, NM 87125	(505) 345-3371 (800) 279-3070 http://www.nmslgc.org
NEW YORK	New York State Higher Education Services Corporation 99 Washington Avenue Albany, NY 12255	(888) 697-4372 (800) 642-6234 http://www.hesc.state.ny.us
NORTH CAROLINA	North Carolina State Education Assistance Authority P.O. Box 14103 Research Triangle Park, NC 27709	(919) 549-8614 http://www.ncseaa.edu
NORTH DAKOTA	Student Loans of North Dakota Guarantor P.O. Box 5524 Bismark, ND 58506-5524	(701) 328-5662 (800) 472-2166 http://www.banknd.com/slnd
OHIO	Great Lakes Higher Education Corporation P.O. Box 7858 Madison, WI 53707	(608) 246-1800 (800) 236-4300 (800) 944-0904 (defaulted loans) http://www.glhec.org
OKLAHOMA	Oklahoma Guaranteed Student Loan Program P.O. Box 3000 Oklahoma City, OK 73101-3000	(800) 247-0420 http://www.ogslp.org
OREGON	Oregon State Scholarship Commission Suite 100 1500 Valley River Drive Eugene, OR 97401	(541) 687-7400 (800) 452-8807 http://www.ossc.state.or.us
PENNSYLVANIA	Pennsylvania Higher Education Assistance Agency 1200 North 7th Street Harrisburg, PA 17102-1444	(717) 720-2860 (800) 692-7392 http://www.pheaa.org

RHODE ISLAND	Rhode Island Higher Education Assistance Authority 560 Jefferson Boulevard Warwick, RI 02886-1320	(401) 736-1100 (800) 922-9855 http://www.riheaa.org
SOUTH CAROLINA	South Carolina State Education Assistance Authority Suite 210 Interstate Center P.O. Box 210219 Columbia, SC 29221	(803) 798-0916 (800) 347-2752 http://www.slc.sc.edu
SOUTH DAKOTA	Education Assistance Corporation 115 First Avenue SW Aberdeen, SD 57401	(605) 225-6423 (800) 592-1802 http://www.eac-easci.org
TENNESSEE	Tennessee Student Assistance Corporation 404 James Robertson Parkway Suite 1950 Parkway Towers Nashville, TN 37243-0820	(615) 741-1346 (800) 257-6526 http://www.state.tn.us/tsac
TEXAS	Texas Guaranteed Student Loan Corporation P.O. Box 201725 Austin, TX 78720-1725	(512) 219-5700 (800) 252-9743 http://www.tgslc.org
UTAH	Utah Higher Education Assistance Authority P.O. Box 45202 Salt Lake City, UT 84145-0202	(801) 321-7200 (800) 418-8757 http://www.uheaa.org
VERMONT	Vermont Student Assistance Corporation P.O. Box 2000 Winooski, VT 05404-2601	(802) 655-9602 (800) 642-3177 http://www.vsac.org
VIRGINIA	Educational Credit Management Corporation American Bank Building 101 East 5th Street Suite 2400 St. Paul, MN 55101	(612) 221-0566 http://www.ecmc.org

WASHINGTON	Northwest Education Loan Association 500 Coleman Building 811 First Avenue Seattle, WA 98104	(206) 461-5300 (800) 562-3001 http://www.nela.net
WEST VIRGINIA	Pennsylvania Higher Education Assistance Agency 1200 North 7th Street Harrisburg, PA 17102-1444	(717) 720-2860 (800) 692-7392 http://www.pheaa.org
WISCONSIN	Great Lakes Higher Education Corporation P.O. Box 7858 Madison, WI 53707	(608) 246-1800 (800) 236-5900 (800) 354-6980 (defaulted loans) http://www.glhec.org
WYOMING	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
AMERICAN SAMOA	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
NORTHERN MARIANA ISLANDS	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
FEDERATED STATES OF MICRONESIA, MARSHALL ISLANDS, REPUBLIC OF PALAU	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org

VIRGIN ISLANDS	Great Lakes Higher Education Corporation P.O. Box 7858 Madison, WI 53707	(608) 246-1800 (800) 236-5900 (800) 354-6980 (defaulted loans) http://www.glhec.org
GUAM	USA Funds, Inc. P.O. Box 6180 Indianapolis, IN 46206-6180	(317) 849-6510 (800) 824-7044 http://www.usafunds.org
PUERTO RICO	Great Lakes Higher Education Corporation P.O. Box 7858 Madison, WI 53707	(608) 246-1800 (800) 236-5900 (800) 354-6980 (defaulted loans) http://www.glhec.org

Appendix

GETTING HELP

U.S. Department of Education (ED) Resources

When a foreign school decides that it wants to participate in the Federal Family Education Loan (FFEL) Program it should contact the U.S. Department of Education. ED has defined rules and regulations instructing schools on how they must administer this program.

ED provides various guidelines and resources to aid schools in facilitating and maintaining participation in the FFEL Program. This chapter contains sources for getting help. In addition, a school should refer to the other appendices of this handbook for additional resources.

Web site

- http://SFA4Schools.sfa.ed.gov

SFA4Schools Web Site

The SFA4Schools Web site gives schools access to all Title IV student financial aid program information, resources, and activities. These sources include various publications and Web sites. The Web address is http://SFA4Schools.sfa.ed.gov. It consists of five main areas:

- **SFA Headlines** – latest news or policy and rule changes from the office of Student Financial Assistance (SFA).
- **SFA Links** – is broken down into five areas: the Reference Library, Student Data, Book Store, Participation and Funding, and Training/Conferences.
  - **Reference Library** – for access to all SFA publications, links to the Information for Financial Aid Professionals (IFAP) SFA Publications section and IFAP's newest feature, Publications by Topic, have been added in the Reference Library Section.
  - **Student Data** – this section links you to important student-based Web sites such as the National Student Loan Data System.
  - **Book Store** – this section allows you to order SFA publications by linking you to the Bulk Publication Ordering System; view question and answers or ask technical questions through SFA Technical Support (SFA Tech).
  - **Participation and Funding** – the Application to Participate and for Recertification can be accessed through this section.
  - **Training/Conferences** – this section provides you with information on upcoming training or conferences offered by SFA, by linking you to the SFA University Web site and the SFA conferences registration page.

- **SFA Search** – search engine that allows you to find information about student financial aid by topic or date.
- **My SFA** – allows you to customize the page using a user name and password to create a link to your school's programs.
- **SFA calendar** – a calendar of upcoming events and dates such as conferences, training, processing deadlines, or Notice of Proposed Rulemaking due dates.

Federal Student Aid Information Center

For general information and assistance, contact the Federal Student Aid Information Center (FSAIC) at 1-800-433-3243 (1-800-4-FED-AID) or 319-337-5665 between 8 a.m. and midnight (Eastern Standard Time), seven days a week (except for holidays).

The FSAIC:

- provides information on student financial aid programs;
- assists in completing the Free Application for Federal Student Aid; *and*
- disseminates many of ED's publications.

Foreign School's Case Management Team

Schools can contact their ED Case Management and Oversight Service case management team for information about the following:

- audit resolution
  - status of ED's final determination letter
  - final determination appeal process
  - a corrective action plan
- financial statement analysis
- program review
- recertification
- separation of functions issues.

The foreign school's case management team can be reached at 202-377-3168.

Contracts with Third-Party Servicers

Reference

- 34 CFR 668.25

Schools may enter into contracts with third-party servicers for the administration of any or all aspects of its FFEL Program. If a school chooses to use a third-party servicer to administer its FFEL Program, there are specific requirements that third-party servicers must adhere to. A school remains liable for any and all SFA related actions taken by the servicer on the school's behalf. Whenever the school enters into, or makes significant modifications to, a contract with a third-party servicer, the school must notify ED. ED may review any contract between a school and a third-party servicer. When a third-party servicer enters into a contract with a school, the servicer is agreeing to comply with all laws and regulations applicable to the FFEL Program.

A school may not contract with a third-party servicer that has one or more of the following characteristics:

- The servicer has been limited, suspended, or terminated by ED within the preceding five years.
- The servicer has been cited during the preceding five years for failure to submit required audit reports in a timely manner.
- The servicer has been requested to pay liabilities that exceed 5 percent of the amount of Title IV funds that are administered by the third-party servicer, as a result of the two most recent Title IV audits.

The contract between the school and the third-party servicer must clearly define that the third-party servicer will:

- (if it delivers or disburses FFEL loans) confirm student eligibility before the delivery or disbursement and calculate and return all unearned Title IV funds to the Title IV programs and the students' lenders in accordance with program requirements;
- comply with all requirements governing the administration of the Title IV programs and all applicable special agreements, limitations, suspensions, and terminations under the Title IV regulations;
- refer to ED any information indicating reasonable cause to believe that the school may be engaged in fraud or other criminal misconduct in administering Title IV programs or that any applicant for Title IV assistance may have engaged in fraud or criminal misconduct in connection with his or her application;

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- be jointly and severally liable with the school for the servicer's violations of program requirements, and agreements with the U.S. Secretary of Education; *and*

- return to the school all unused Title IV funds and records used in administering the program if the servicer or school terminates the contract, goes out of business, or files for bankruptcy.

Functions that are covered under the definition of a third-party servicer include:

- processing student financial aid applications, performing need analysis, and determining student eligibility;

- certifying loan applications;

- processing output documents for payment to students, and receiving, disbursing, or delivering funds to students;

- conducting required student consumer information services;

- preparing and submitting notices and applications required of eligible and participating schools; *and*

- processing enrollment verification for deferment forms or Student Status Confirmation Reports.

Functions that are **not** covered under the definition of a third-party servicer are:

- performing electronic fund transfers;

- financial and compliance auditing;

- mailing documents prepared by the institution or warehousing institutional records; *and*

- providing computer services or software.

Accrediting Agencies

Countries with Comparable Accreditation Standards for Medical Schools

As provided by statute, the National Committee on Foreign Medical Education and Accreditation (NCFMEA) has reviewed and found that the countries listed below use standards to accredit their medical schools that are comparable to the standards used to accredit medical schools in the United States. The NCFMEA meets twice a year, and after each meeting the list of

countries determined to have comparable standards is updated to reflect the decisions of the Committee.

To access this Web site go to:
http://www.ed.gov/offices/OPE/accreditation/ncfmission.html.

- **Australia –** Australian Medical Council. The Council also accredits medical schools in **New Zealand** under terms of an agreement with that country.

- **Belize –** Accreditation Commission on Colleges of Medicine. Belize was reviewed at the September 2000 NCFMEA meeting. The Committee determined that the standards to be used by Belize to evaluate St. Matthew's University School of Medicine are comparable to the standards used to accredit medical schools in the United States. However, the NCFMEA has limited the period of comparability to one year. At its September 2001 meeting, the NCFMEA extended the period of comparability for an additional year.

- **Canada –** Committee on Accreditation of Canadian Medical Schools (LCME)

- **Costa Rica –** Consejo Nacional de Ensenanza Superior Universitaria Privada (CONESUP)

- **Czech Republic –** Accreditation Commission

- **Denmark –** Ministry of Education/Center for Quality Assurance in Higher Education

- **Dominica –** Medical Board/Ministry of Health & Social Security

- **Dominican Republic –** National Council of Higher Education (CONES)

- **Grenada –** Grenada Ministry of Health and the Environment/NY Board of Regents

- **Hungary –** Hungarian Accreditation Committee

- **India –** Medical Council of India

- **Ireland –** Irish Medical Council

- **Israel** – Council for Higher Education

- **Mexico –** Asociacion Mexicana de Facultades y Escuelas de Medicina (AMFEM)

- **Montserrat –** Accreditation Commission on Colleges of Medicine Because of volcanic activity on Montserrat, the one medical school accredited by the Accreditation Commission is now located on St. Maarten.
- **Pakistan –** Pakistan Medical and Dental Council
- **Philippines –** Medical Education Accreditation Council
- **Poland –** Ministry of Health and Social Welfare
- **St. Maarten –** Accreditation Commission on Colleges of Medicine
- **Sweden –** National Agency for Higher Education
- **Thailand –** Ministry of University Affairs and the Thai Medical Council
- **The Netherlands –** Ministry of Education, Culture, and Science
- **United Kingdom –** General Medical Council

What Constitutes an Audited Financial Statement in Various Countries

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Australia	The Australian Accounting Standards issued by the Australian Accounting Standards Board are incorporated in the Corporations Law. The Corporations Law dictates the format of the financial statements.	The auditor's report addresses whether the financial statements provide a "true and fair view."	Balance Sheet Income Statement (R) Statement of Cash Flows (R) Notes on the Accounts (R)
Austria	German Commercial Law developed further with the enactment of the *Deutsches Handelsgesetzbuch* (German Commercial Code) which prescribes the form of the report.	The auditor's report addresses whether the financial statements provide a "true and fair view" in accordance with generally accepted accounting principles.	Balance Sheet (R) Profit and Loss Statement (R) Notes to the Accounts (R)
Belgium	The present legal requirements regarding financial disclosure in Belgium originated in the Royal Decrees together with the Law of 5 December 1984, served to implement the Fourth and Seventh EC Directives within Belgium.	The auditor's report addresses whether the financial statements provide a "true and fair view" and shall be prepared clearly.	Balance Sheet (R) Income Statement (R) Notes to the financials (R)
Canada	Standards are set by the Accounting Standards Board of the Canadian Institute of Chartered Accountants. Canadian GAAP is probably the closest to U.S. GAAP.	Usually states whether or not the financials are "presented fairly" in conformity with generally accepted accounting principles.	Balance Sheet (R) Income Statement (R) Statement of retained earnings (R) Statement of changes in financial position (R) Notes to the financials (R)

Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Chile	Principles are promulgated by the Superintendencia de Valores y Seguros. Auditors must register with the Colegio de Contadres, but some are registered with the Instituto Nacional de Contadores Profesionales Auditores (INCPA). INCPA is not required for Title IV purposes.	The financials should conform to the standards of Chilean generally accepted accounting principles. Some standards may conform to the standards of the International Accounting Standards Committee (IASC).	Balance Sheet (R) Income Statement (R) Notes to the financials (R)
China	The 1992 Standard and 1992 Regulations prescribe the form of the report.	The adoption of a set of accounting standards based on and consistent with the International Accounting Standards is not complete in China.	Balance Sheet (R) Profit and Loss Account (R) A statement of changes in financial position or Cash Flow Statement (R) Cash Flow Statement (R)
Denmark	Denmark has adopted a liberal disclosure policy. Companies may choose freely between four formats of the profit and loss account provided by the Fourth Directive.	Financial statements give a "true and fair view" and audited in accordance with the auditing standards issued by the Association of State Authorized Public Accountants.	Balance Sheet (R) Income Statement (R) Notes to the financials (R) Statement of Cash Flows (Optional)
Egypt	The Central Accounting Agency (CAA) must establish and periodically study and evaluate Egypt's accounting standards. Company Law 159 of 1981 requires an annual audit of financial statements and sets standards related to these audits.	The financial statements are usually prepared in accordance with international accounting standards.	Balance Sheet (R) Profit and Loss Account (R) Cash Flow Statement (R)

Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Finland	The Finnish Accounting Act makes the formats of Finnish financial statements better correspond to the European Community requirements.	The EC Accounting Directives were used as guidelines for the Accounting Act, therefore the "true and fair view" convention is thought of as a guiding principle. It is thought that accounting theory and practice will continue to shape it.	Balance Sheet (R) Income Statements (R) Neither in the Accounting Act nor the Draft is there a requirement of changes in financial position or of cash flows
France	The Plan Comptable prescribes the form and contents of the financial statements. It has been amended to incorporate financial reporting changes brought about by the introduction of the European Fourth and Seventh Directives.	The auditor's report addresses whether the financial statements provide a "true and fair view" in accordance with professional standards.	Balance Sheet (R) Income Statement (R) Statement of Cash Flows (NR) Notes to the financials (R)
Hong Kong	Financial accounting and reporting in Hong Kong are governed by the Hong Kong Society of Accountants.	The financial statements are usually prepared to give the reader a "true and fair view" of the financial position and profit and loss for the period in accordance with generally accepted principles.	Balance Sheet (R) Income Statement (R) Notes to the financials (R)

Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Hungary	The Association of Hungarian Auditors was founded in 1988 and has started a standard-setting process to control the professional organizations for accountants. The law on accounting that became effective in 1992 has been influenced by developments in Europe and internationally, such as the EC Fourth and Seventh Directives and International Accounting Standards.	The auditor's report addresses whether the financial statements provide a "true and fair view" in accordance with applicable laws and regulations in force in Hungary.	Balance Sheet (R) Income Statement (R) Statement of changes in shareholders equity (R) Notes to the financials (R)
India	Company Law prescribes the form of the report. The developments within the Company Law have increased disclosure requirements.	The financial statements are usually prepared in accordance with the Institute of Chartered Accountants of India.	Balance Sheet (R) Profit and Loss Account (R)
Israel	The Israel Accounting Standards Board (IASB) was founded in April 1997 as a result of an agreement between the Israel Securities Authority and the Israeli Institute of Certified Public Accountants. The agreement sets the institutions of the Board and prescribes the due process of the accounting rulemaking.	IASB has been the accounting rulemaking body in Israel since April 1997.	In development

Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Italy	Commissione Nazionale per le Societa e la Borsa has ruled that IASC principles should be applied when no equivalent has been approved by the Italian accounting profession.	No reference is made to the "true and fair view." The statements must present the financial position and the changes in financial position for the year, in conformity with the accounting principles established by the accounting profession.	Balance Sheet (R) Income Statement (R) Notes on the Accounts (R) Report on operations (R) Statement of Cash Flows (Optional)
Japan	The Business Accounting Deliberation Council (BADC) for the Finance Ministry is the single most authoritative source of Japanese GAAP, which are contained in the statements of financial accounting standards issued by the BADC.	The financial statements should be in accordance with the generally accepted accounting principles in Japan. The financial accounting standards issued by the BADC together with the accounting guidelines issued by the JICPA make up Japan's GAAP.	Balance Sheet (R) Income Statement (R) Statement of Cash Flows (Required for publicly traded companies)
Liechtenstein		Audited accounts are required. Swiss accounting rules apply.	
Mexico	Auditing standards in Mexico are established by the Auditing Standards and Procedures Commission of the Mexican Institute of Accountants.	The audit opinion states whether the financial statements "present fairly" the financial position of the company, the results of its operations, and changes in its financial position.	Balance Sheet (R) Income Statement (R) Statement of changes in shareholders equity (R) Statement of Cash Flows (NR) Notes to the financials (R)

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Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Netherlands	An act of Parliament forms the basis for annual reports of companies in Title 9 of the Civil Code. Title 9 also provides flexibility to comply with the Fourth Directive of the European Union. A committee, the Council for Annual Reporting, is working on a draft of the general accounting principles.	The auditor's report addresses whether the financial statements provide a "true and fair view" in accordance with auditing standards generally accepted in the Netherlands.	Balance Sheet (R) Income Statement (R) Notes to the financials (R)
Norway	The Norwegian Accounting Standards Board publishes the financial accounting standards. Interpretation of the "good accounting practice" has challenged parties interested in financial reporting to express their opinions.	General requirement that the annual accounts shall be prepared in accordance with "good accounting practice."	Balance Sheet (R) Income Statement (R) Notes to the financials (R)
Spain	The commercial and accounting regulations introduced by the Commercial Reform Act and by the Legislative Royal Decree from the adapted text of the Corporations Act provide an ample and complete control of accounting practices and complete the criteria and regulations for the preparation and presentation of accounting information to be given in the annual financial statements.	The Chart of Accounts states that the balance sheet, income statement, and footnotes form a unit and must be drafted clearly and present a "true and fair view" of the company's net worth, financial position, and net income in conformity with generally accepted accounting principles.	Balance Sheet (R) Income Statement (R) Notes to the financials (R)

Financial Statements (Cont'd)

Country	Financial Statements	Audit Report	Statements: Required (R) Not Required (NR)
Sweden	The Swedish Companies Act and Accounting Act prescribe the format of the financials.	The Swedish Companies Act states that the audit should be carried out in accordance with generally accepted auditing standards and include a recommendation that the accounts be adopted.	Balance Sheet (R) Income Statement (R) Notes to the financials (R) Statement of Cash Flows (R)
Switzerland	The Swiss Institute of Certified Public Accountants prescribes the form of the report.	The financial statements should give a "true and fair view" in accordance with Switzerland auditing standards promulgated in Switzerland by the profession.	Balance Sheet (R) Profit and Loss Account (R) Notes to the financials (R)
United Kingdom	Statements of Auditing Standards issued by the Auditing Practices Board (APB) prescribe the form of the report.	The Companies Act 1985 requires auditors to report whether or not the accounts give a "true and fair view" and should be conducted in accordance with auditing standards issued by the Auditing Practices Board.	Balance Sheet (R) Profit and Loss Account (R) Cash Flow statement (R) Notes to the Accounts (including reconciliation of movement's in shareholders' funds) (R)
United States	Statements on Auditing Standards (issued by the Auditing Standards Board) of the AICPA prescribe the form of the report.	Usually states whether or not the financials are "presented fairly" in conformity with US GAAP.	Balance Sheet (R) Income Statement (R) Statement of changes in stockholder's equity (R) Statement of cash flows (R) Notes to the financials (R)

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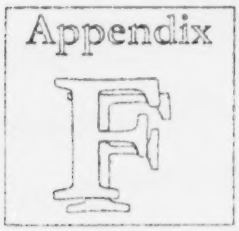

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UNITED STATES DEPARTMENT OF EDUCATION

1-800-4FED-AID (1-800-433-3243 or TTY: 1-800-730-8913)
http://www.fafsa.ed.gov

OMB No. 1845-0058
Form Approved
Exp. 12/31/2003

** FINAL **

000117C041

CHRISTOPHER E. STUDENT
1234 ABCDEFGHIJKLMNOPQRSTUVXYZABCDE
ABCDEFGHIJKLMNOPQ, MD 12345

June 27, 2001
EFC: 00000
DRN: 2401

Dear Christopher E. Student,

Thank you for submitting your information for federal student aid to the U.S. Department of Education.

This is your Student Aid Report (SAR) for the **2001-2002** award year.

You (the Student)

Here is where you are this year in the process of applying for student financial aid:

1. You applied with a FAFSA or a Renewal FAFSA, or you made changes to your SAR.
2. **Now you should check your SAR information. If it is correct, you do not need to return it to us.**
3. You will be asked by your school(s) to provide copies of certain financial documents.

U.S. Department of Education

Here is where we are in collecting, processing, and storing your information for the 2001-2002 award year:

1. We received your information and processed it. Our results are below.
2. We sent your information and our results to you and the school(s) you listed in Step 6.
3. We will update your federal student aid record with any changes you make.

Based on the information you have submitted, we have used the standard formula to calculate your EFC, which is 00000. Your school will use this number to determine what types of aid and how much you are eligible for based on your educational costs.

School(s)

Here are the steps your school(s) will take to put together your 2001-2002 financial aid package:

1. Your school(s) received your information and our results.
2. Your school(s) will ask you to verify your information.
3. Your school(s) may put together or change an aid package and notify you.

The amount of aid you receive from your school will depend on the cost of attendance at your school, your enrollment status (full-time, three-quarter-time, half-time, or less than half-time), Congressional budget restrictions, and other factors. Review your financial aid notification from your school or contact your financial aid administrator.

Now go to page 3 to see what you need to do next.

X9XX999999 999 PAGE 1 OF 8 123-45-6789 ST 01

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2001-2002 Student Aid Report (SAR)

THE OFFICE OF MANAGEMENT & BUDGET WANTS YOU TO KNOW:

- According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0008. The time required to complete this information collection is estimated to be an average of 15 to 30 minutes, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collected. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form please write to: U.S. Department of Education, Washington, DC 20202-4651. If you have any comments or concerns regarding the status of your individual submission of this form, write directly to: Federal Student Aid Information Center, P.O. Box 84, Washington, DC 20044.

- By answering questions 86 through 97, and signing the Free Application for Federal Student Aid, you give permission to the U.S. Department of Education to provide information from your application to the college(s) listed in Step 6. You also agree that such information is deemed to incorporate by reference the certification statement in Step 7 of the financial aid application.

WARNING: If you are convicted of drug distribution or possession, your eligibility for Title IV student financial aid is subject to suspension or termination.

For Financial Aid Office Use Only

This information will be used by your Financial Aid Administrator to determine your eligibility for student aid.

SAR C Flag: C
Agency Source: 5
Record Source Type: R
Record Type: X
Verification Flag: N

Model: I
SysGen: X
Dependency Override: X
Early Analysis Flag: X
FAA Adjustment: X

Reprocessing Code: X
Reject Reasons: X
Application Receipt Date: 06/19/2000
Transaction Receipt Date: 06/19/2000
Subsequent Application Flag: X

MONTHS:	1	2	3	4	5	6	7	8	9	10	11	12
PRIMARY EFC:	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000
SECONDARY EFC:	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000	00000

Auto Zero EFC Flag: SNT Flag: N Pell Eligible Flag: Y

MATCH FLAGS:

SSN Match Flag: 4
INS Match Flag: X
INS Sec. Conf. Flag: X
NSLDS Match Flag: 2

Selective Service Registration Flag: X
INS Verification #: XXXXXXXXXX
NSLDS Results Flag: 1
VA Match Flag: 1

Selective Service Match: X
SSA Citizenship Code: X
NSLDS Transaction Number: 01
PRIS Match Flag: X

COMMENTS: 001 002 003 004 005 006 007 008 009 010 011 012 013 014 015 016 017 018 019 020

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X9XX999999 999 PAGE 2 OF 8 123-45-6789 ST 01

2001-2002 Student Aid Report (SAR)

COMMENTS ABOUT YOUR INFORMATION

Based on the information we have on record for you, YOUR EFC IS 00000. Your school will use this number to determine what types of aid and how much you are eligible for. You may be eligible to receive a Federal Pell Grant and other federal student aid.

You left item 35 blank. IF YOU HAVE A DRUG CONVICTION, you MUST answer item 35. Your failure to accurately answer this question could result in legal action against you by the U.S. Government. Use the enclosed worksheet to determine your answer to this question. You can resolve this matter quickly by calling 1-800-4FED-AID (1-800-433-3243) or by going to www.fafsa.ed.gov. You can also use Part 2 of this report. A drug conviction does not necessarily disqualify you from receiving student aid.

The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on a federal student loan. You are not eligible to receive any federal student aid until your default status has ben resolved.

Contact the following agency(ies) regarding your defaulted federal student loan.

Call the U.S. Department of Education at 1-800-621-3115, or write to the U.S. Department of Education, Atlanta Service Center, 61 Forsyth Street, Room 19T89, Atlanta, Georgia 30303. (EDR 04)

We assumed certain information to calculate your eligibility for federal aid. We printed the assumption we made and the word "assumed" in the "You told us" column for each of these items. If our assumptions are correct, do not change them.

Be sure to review the items printed in darker print on this SAR and make corrections if necessary.

We could not send your name to Selective Service as you requested because you did not give us enough information, you are outside the age range range for resgistration, or you did not sign your form. If you are at least 18 but not yet 26, you may register by answering "yes" to both items 27 and 28 on this SAR. You must also provide information for items 1, 2, and 9. You may also register by completing a Selective Service registration form, available at your local post office, or by registering on-lin at www.sss.gov. If you are a male who has reached age 26, you cannot use the SAR to register. You must contact Selective Service at 847-688-6888 to resolve your registration status before you can receive federal student aid. You are exempt from registering if born before 1960.

If you need additional help with your SAR, contact your school Financial Aid Administrator (FAA) or the Federal Student Aid Information Center at 1-800-4FED-AID (1-800-433-3243). If your address changes, send in the correction on your SAR or call 1-800-4FED-AID to make the correction on your record.

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2001-2002 Student Aid Report (SAR)

You may need this information to answer Question 29 on Page 6.

Codes for Question 29: TYPE OF DEGREE/CERTIFICATE

1 - 1st Bachelor's degree
2 - 2nd Bachelor's degree
3 - Associate degree (occupational or technical program)
4 - Associate degree (general education or transfer program)
5 - Certificate or diploma for completing an occupational, technical, or educational program less than two years
6 - Certificate or diploma for completing an occupational, technical, or educational program of at least two years
7 - Teaching credential program (non-degree program)
8 - Graduate or professional degree
9 - Other/Undecided

Your Financial Aid History Information

Total Loan Amounts:

FFELP/Direct loans:	Total principal balance:	Remaining amount to be disbursed to you:	Total:
Subsidized loans:	$ 123,456	$ 123,456	$ 123,456
Unsubsidized loans:	$ 123,456	$ 123,456	$ 123,456
Combined loans:	$ 123,456	$ 123,456	$ 123,456
FFEL Consolidation loans:	$ 123,456		$ 123,456

Perkins loans:

Outstanding principal balance: $ 123,456
Current year loan amount: $ 123,456

Defaulted Loan Detail Information:	Net loan amount	Loan begin date	Loan end date	Grade level
Loan type: FFEL Stafford Unsubsidized	$ 123,456	08/30/99	05/14/00	2
Status code ID as of 08/30/99 Outstanding balance $ 123,456 as of 03/31/00				
Loan type: FFEL Stafford Subsidized	$ 123,456	08/30/99	05/14/00	2
Status code ID as of 08/30/99 Outstanding balance $ 123,456 as of 03/31/00				
Loan type: Federal Perkins	$ 123,456	08/30/99	05/14/00	2
Status code DU as of 12/23/96 Outstanding balance $ 123,456 as of 09/29/88				
Loan type: FFEL Stafford Unsubsidized	$ 123,456	08/30/99	05/14/00	2
Status code DU as of 04/06/96 Outstanding balance $ 123,456 as of 08/26/99				

Use your U.S. Department of Education PIN to see more information about your financial aid history at www.nsids.ed.gov on the Internet. For more information about your PIN, go to www.pin.ed.gov

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2001-2002 Student Aid Report (SAR)

Form Approved
Exp. 12/31/2002

Check your SAR

- If you find a mistake, or an answer has changed, put the correct answer in the boxes or completely fill in an oval (example: ●).
- Look for arrows (—> or ↵) in the area next to your information. For these items, you must give us a new answer, or if your current answer is correct, re-write the same information exactly.
- If you want to delete an answer, draw a line through your answer and through the empty boxes or ovals.

Processed: 06/27/2001 **123-45-6789 ST-01 DRN: 1234**

Step One: You (The Student)

1. Last Name	2. First Name	3. Middle Initial
STUDENT	CHRISTOPHER	N

FOR INFORMATION ONLY DO NOT SUBMIT

4. Permanent Street Address		
1000 NORTH LIBERTY STREET		
5. City	**6. State Abbreviation**	**7. ZIP Code**
IOWA CITY	IA	20724

8. Social Security Number	9. Date of Birth	Use MM/DD/CCYY format (e.g., 05/01/1960)	10. Permanent Home Phone Number
123-45-6789	AUGUST 02, 1966		(301) 555-1212
XXX – XX – XXXX	/ / 19		–

11. Driver's License Number ST17983-IA-000123006	
12. Driver's License State Abbreviation IA	
13. Citizenship Status U.S. CITIZEN	U.S. Citizen ○ 1 Eligible Non-Citizen ○ 2 Neither ○ 3 — Remember to completely fill in the oval as follows: ●
14. Alien Registration Number (BLANK)	A
15. Marital Status UNMARRIED	Single, Divorced or Widowed ○ 1 Married/Remarried ○ 2 Separated ○ 3
16. Date of Marital Status DECEMBER 1999	/ Use MM/CCYY format (e.g., 05/1996)
17. Summer Term 2001 FULL TIME/NOT SURE	Full time/Not sure ○ 1 3/4 time ○ 2 Half time ○ 3 Less than half time ○ 4 Not attending ○ 5
18. Fall Semester or Quarter 2001 FULL TIME/NOT SURE	Full time/Not sure ○ 1 3/4 time ○ 2 Half time ○ 3 Less than half time ○ 4 Not attending ○ 5
19. Winter Quarter 2001-2002 FULL TIME/NOT SURE	Full time/Not sure ○ 1 3/4 time ○ 2 Half time ○ 3 Less than half time ○ 4 Not attending ○ 5
20. Spring Semester or Quarter 2002 FULL TIME/NOT SURE	Full time/Not sure ○ 1 3/4 time ○ 2 Half time ○ 3 Less than half time ○ 4 Not attending ○ 5
21. Summer Term 2002 FULL TIME/NOT SURE	Full time/Not sure ○ 1 3/4 time ○ 2 Half time ○ 3 Less than half time ○ 4 Not attending ○ 5
22. Father's Educational Level UNKNOWN	Middle school/Jr. High ○ 1 High school ○ 2 College or beyond ○ 3 Other/unknown ○ 4
23. Mother's Educational Level UNKNOWN	Middle school/Jr. High ○ 1 High school ○ 2 College or beyond ○ 3 Other/unknown ○ 4

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You Told Us	Write in Information for New or Corrected Items only.
24. State of Legal Residence Abbreviation MD	
25. Did you become a legal resident of this state before January 1, 1996? YES	Yes ○ 1 No ○ 2
26. If you answered "No" to question 25, date you became a legal resident. (BLANK)	/ Use MM/CCYY format (e.g., 06/1980)
27. Are you male? YES	Yes ○ 1 No ○ 2
28. If you are male, 18-25, not registered, do you want Selective Service to register you? YES	Yes ○ 1 No ○ 2
29. Type of Degree/Certificate 1ST BA	Enter Code from Page 4
30. Grade Level in College in 2001-2002? 2ND/SOPHOMORE	1st Never Attended ○ 0 2nd/Sophomore ○ 2 4th/Senior ○ 4 1st Yr. Graduate/Professional ○ 6 1st Previously Attended ○ 1 3rd/Junior ○ 3 5th or More ○ 5 Cont. Graduate/Professional ○ 7

You Told Us	Write in Information for New or Corrected Items only.
31. High School Diploma or GED? YES	Yes ○ 1 No ○ 2
32. First Bachelor's Degree by 7-1-2001? NO	Yes ○ 1 No ○ 2
33. Interested in Student Loans? YES	Yes ○ 1 No ○ 2
34. Interested in Work-Study? NO	Yes ○ 1 No ○ 2
35. Drug Conviction Affecting Eligibility? (BLANK) DO NOT LEAVE THIS QUESTION BLANK	No ○ 1 Yes (Part-Year) ○ 2 Yes/Don't Know ○ 3

Step Two: 2000 Student (and Spouse) Income and Assets

For 36-49, report your (the student's) income and assets. If you are married, report your spouse's income and assets, even if you were not married in 2000. Ignore references to "spouse" if you are currently single, separated, divorced, or widowed. Remember to completely fill in the oval as follows: ●

36. Filed 2000 Income Tax Return ALREADY COMPLETED	Have already completed ○ 1 Will file, have not yet completed ○ 2 Not going to file. ○ 3
37. Type of 2000 Tax Form Used 1040	A. IRS 1040 ○ 1 C. A foreign tax return ○ 3 B. IRS 1040A, 1040 EZ, 1040 Telefile ○ 2 D. A tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau. ○ 4
38. If you filed or will file a 1040, were you eligible to file a 1040A or 1040EZ? (BLANK)	Yes ○ 1 No ○ 2 Don't Know ○ 3

For 39-51 (Student's Info.) and 73-83 (Parent's Info.), if the answer is zero or the question does not apply to you, enter 0.
Report dollar amounts (such as $12,356.00) like this: SAMPLE → $ 12,356 (no cents)

39. Adjusted Gross Income from IRS Form (Refer to IRS Form 1040-line XX; 1040A-line XX; 1040EZ-line XX; or Telefile-line X.) $ (BLANK) ($99,999 ASSUMED)	$,
40. U.S. Income Tax Paid (Refer to IRS Form 1040-line XX; 1040A-line XX; 1040EZ-line XX; or Telefile-line X.) $ (BLANK) ($0,000 ASSUMED)	$,
41. Exemptions Claimed (Refer to IRS Form 1040-line XX; 1040A-line XX; 1040EZ-line or Telefile-line, see X.) 02	

For 42-43, answer the questions whether or not you filed a tax return. This information may be on your W-2 forms, or on IRS Form 1040-lines X+XX+XX; 1040A-line x; or 1040EZ-X. Telefilers should use their W-2's.

42. Student's Income Earned from Work $ (BLANK) ($99,999 ASSUMED)	$,
43. Spouse's Income Earned from Work $ (BLANK) ($99,999 ASSUMED)	$,

44. Amount from FAFSA Worksheet A $ 12,345	$,
45. Amount from FAFSA Worksheet B $ 12,345	$,
46. Amount from FAFSA Worksheet C $ 12,345 ($0,000 ASSUMED)	$,
47. Net Worth of current investments $ 123,456	$,
48. Net Worth of Business/Investment Farms $ 123,456	$,
49. Cash, Savings and Checking $ 123,456	$,
50. How many Months Receive VA Education Benefits? 00	
51. Monthly VA Benefits Amount $ 123	$

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DRN: T234

Step Three: Student Status

You Told Us	Write in information for New or Corrected items only.
52. Born Before 1-1-1978? NO (YES ASSUMED)	Yes ○ 1 No ○ 2
53. Working on a masters or doctorate program in 2001-2002? NO	Yes ○ 1 No ○ 2
54. Are You Married? (BLANK) (YES ASSUMED)	Yes ○ 1 No ○ 2
55. Have Children you support? (BLANK)	Yes ○ 1 No ○ 2

You Told Us	Write in information for New or Corrected items only.
56. Have Dependents Other Than Children or Spouse? (BLANK)	Yes ○ 1 No ○ 2
57. Orphan or Ward of Court or Ward of the Court until age 18? NO	Yes ○ 1 No ○ 2
58. Veteran of U.S. Armed Forces? YES	Yes ○ 1 No ○ 2

Step Four: 2000 Parental Information

Complete this section if you (the student) answered "No" to all questions in Step Three. If you do not live with your two parents, then provide information about the parent you lived with most during the past year (and, if that parent is married, provide information about the stepmother or stepfather to whom that parent is married).

59. Parent(s) Marital Status MARRIED/REMARRIED	Married/Remarried ○ 1 Single ○ 2 Divorced/Separated ○ 3 Widowed ○ 4
60. Your Father's/Stepfather's Social Security Number 123-45-6789	___ - ___ - ____
61. Your Father's/Stepfather's Last Name FULLLASTNAMETEST	
62. Your Mother's/Stepmother's Social Security Number 123-45-6789	___ - ___ - ____
63. Your Mother's/Stepmother's Last Name FULLLASTNAMETEST	
64. Parent(s) number of family members in 2001-2002 (BLANK) (2 ASSUMED)	
65. Parent(s) number of family members in college in 2001-2002 (BLANK) (2 ASSUMED)	
66. Parent(s) state of legal residence MD	
67. Parent(s) legal resident of the state before 1-1-1996? YES	Yes ○ 1 No ○ 2
68. If "No" to question 67, enter the date parent became legal resident. OCTOBER 1998	/ Use MM/CCYY format (e.g., 05/1980)
69. Age of older Parent? 55	
70. Filed 2000 Income Tax Return WILL FILE	Have already completed ○ 1 Will file, have not yet completed ○ 2 Not going to file ○ 3
71. Type of 2000 Tax Form Used 1040	A. IRS 1040 ○ 1 B. IRS 1040A, 1040 EZ, 1040 Telefile ○ 2 C. A foreign tax return ○ 3 D. A tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau ○ 4
72. If your Parent(s) filed or will file a 1040, were they eligible to file a 1040A or 1040EZ? NO	Yes ○ 1 No ○ 2 Don't Know ○ 3

For 73-83, if the answer is zero or the question does not apply, enter 0. Report dollar amounts without cents.

73. Adjusted Gross Income from IRS Form (Refer to IRS Form 1040-line XX, 1040A-line XX, 1040EZ-line XX, or Telefile-line X) $ 123,456	$ ___,___
74. U.S. Income Tax Paid (Refer to IRS Form 1040-line XX, 1040A-line XX, 1040EZ-line XX, or Telefile-line X) $ 123,456	$ ___,___
75. Exemptions Claimed (Refer to IRS Form 1040-line XX, 1040A-line XX, 1040EZ-line, or Telefile-line, see X) 02	___
76. Father's/Stepfather's Income Earned from Work $ 123,456	$ ___,___
77. Mother's/Stepmother's Income Earned from Work $ 123,456	$ ___,___
78. Amount from FAFSA Worksheet A $ 12,345	$ ___,___
79. Amount from FAFSA Worksheet B $ 12,345	$ ___,___
80. Amount from FAFSA Worksheet C $ 12,345 (00,000 ASSUMED)	$ ___,___
81. Net Worth of current Investments $ 123,456	$ ___,___
82. Net Worth of Business/Investment Farms $ 123,456	$ ___,___
83. Cash, Savings, and Checking $ 123,456	$ ___,___

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Step Five: Student's Household Information

84. Number of Family Members in 2001-2002: 02

85. Number in College in 2001-2002: 2

Step Six: Student's School Information

Housing Plans: 1 – on-campus 3 – with parent(s) 2 – off-campus

You Told Us	New/Corrected College Name, City, State	
86. First College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		87. Housing Plans WITH PARENT(S)
88. Second College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		89. Housing Plans ON-CAMPUS
90. Third College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		91. Housing Plans OFF-CAMPUS
92. Fourth College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		93. Housing Plans (BLANK)
94. Fifth College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		95. Housing Plans (BLANK)
96. Sixth College Name, City and State ABCDEFGHIJKLMNOPQRSTUVWXYZ ABCDEFGHIJKLMNOPQRSTUVWXYZ		97. Housing Plans (BLANK)
98. Date Completed JANUARY 10, 2001	DO NOT CORRECT	
99. Signed By? STUDENT	DO NOT CORRECT	
100. Preparer's Social Security Number REPORTED	– –	If this form was filled out by someone other than you, your spouse, or your parent(s), that person must complete this part.
101. Preparer's EIN REPORTED	–	
102. Preparer's Signature SIGNED		

Application Receipt Date: 01/15/2001

Student's Email Address: christopherestudent_univofmaryland.collgprk@ed.gov

Step Seven: Please, read, sign, and date

SEND PAGES 5 - 8 OF THIS FORM TO:

Federal Student Aid Programs
P.O. Box 7020
Lawrence, KS 66044-7020

You may also make corrections from the Department of Education's web page (http://www.fafsa.ed.gov). You must use your PIN to access your record online.

You must read this Certification and sign below.

Certification:

By signing this application, you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include a copy of your U.S. or state income tax forms. Also, you certify that you (1) will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education, (2) are not in default on a federal student loan or have made satisfactory arrangements to repay it, (3) do not owe money back on a federal student grant or have made satisfactory arrangements to repay it, (4) will notify your school if you default on a federal student loan, and (5) understand that the Secretary of Education has the authority to verify income reported on this application with the Internal Revenue Service. If you purposely give false or misleading information, you may be fined $10,000, sent to prison, or both.

Student Signature (Required to process your application. Sign in box below)

1 Student — Date

CHRISTOPHER E. STUDENT

Parent Signature (one parent whose information is provided in Step Four.)

Parent — Date

Professional Judgment D/O 1 ○ 2 ○

Federal School Code

FAA Signature

DE — Special Handle

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2001-2002 Institutional Student Information Record

***

2001-2002 Institutional Student Information Record

Student ID	001-01-0001 DO 02
EFC	2068 C
Dependency Status	D

STEP ONE (THE STUDENT) (Q1-Q35)

Name	JOHN DOE
Address:	319 W ELM ST
	LOS ANGELES CA 90016
Social Security Number	001-01-0001
Date of Birth	12/18/1979
Permanent Home Phone #	310-555-1212
E-mail Address	CPS@ncs.com
Driver's License #	-NONE-
Citizenship Status	U.S. CITIZEN
Alien Registration Number	
Marital Status	UNMARRIED
Marital Status Date	
Enroll Plan Summer 2001	NOT ATTENDING
Enroll Plan Fall 2001	FULL TIME/NOT SURE
Enroll Plan Wint 2001-2	NOT ATTENDING
Enroll Plan Spring 2002	1/2 TIME
Enroll Plan Summer 2002	NOT ATTENDING
Father's Educational Level	HIGH SCHOOL
Mother's Educational Level	COLLEGE/BEYOND
State of Legal Residence	CA
Legal Resident before 1-1-1996?	YES
Legal Residence Date	09/1980
Are You Male?	NO
Register for Selective Service?	YES
Degree/Certificate	ASSOC. TECHNICAL
Grade Level in College	2nd YR/SOPH
HS Diploma or GED Received?	NO
First Bachelor's Degree by 7-1-2001?	NO
Interested in Student Loans?	YES
Interested in Student Employment?	NO
Drug Conv Affecting Elig?	YES(PART-YEAR)

Net Worth of Investments	0
Net Worth of Business/Farm	0
Cash, Savings, and Checking	0
No. of Months VA Benefits Received	0
Monthly VA Education Benefits	0

STEP TWO (STUDENT & SPOUSE) (Q36-Q51)

Tax Return Filed?	WILL FILE
Type of 2000 Tax Return Used	1040
Eligible to File 1040A or 1040EZ?	NO
Adjusted Gross Income	101400
U.S. Income Tax Paid	310
Exemptions Claimed	00
Student's Inc Earned from Work	101400
Spouse's Inc Earned from Work	0
Total from Worksheet A	0
Total from Worksheet B	0
Total from Worksheet C	0

STEP THREE (THE STUDENT) (Q52 - Q58)

Born Before 1-1-1978?	NO
Master's/Doctorate Prog. In 2001-2002?	NO
Is Student Married?	NO
Have Children You Support?	NO
Dependents Other Than Children/Spouse?	NO
Orphan or Ward of the Court?	NO
Veteran of U.S. Armed Forces?	NO

STEP FOUR (PARENTS) (Q59 - Q83)

Marital Status	MARRIED/REMARRIED
Father's/Stepfather's SSN	901-48-8578
Father's Last Name	ALARCON
Mother's/Stepmother's SSN	801-48-8578
Mother's Last Name	ALARCON
Number of Family Members	6
Number in College in 2001-2002	1
State of Legal Residence	CA
Legal Residents before 1-1-1996?	YES
Legal Residence Date	11/09/68
Age of Older Parent	52
Tax Return Filed?	COMPLETED
Type of 2000 Tax Return Used	FOREIGN
Eligible to File 1040A or 1040EZ?	NO
Adjusted Gross Income	101400
U.S. Income Tax Paid	310
Exemptions Claimed	
Father's Inc Earned from Work	00
Mother's Inc Earned from Work	101400
Total from Worksheet A	0
Total from Worksheet B	0
Total from Worksheet C	0
Net Worth of Investments	0
Net Worth of Business/Farm	0
Cash, Savings, and Checking	0

STEP FIVE (STUDENT HH) (Q84 - Q85)

Number of Family Members	01
Number in College in 2001-2002	1

*-assumption h-highlight flag #-corrected this trans &-corrected previous trans Page 2 of 4

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2001-2002 Institutional Student Information Record

Student ID 001-01-0001 02 EFC
Last Name DOE
STEP SIX (Q86-Q97)
School #1 001224 Housing #1 W/PARENT(S)
School #2 000000 Housing #2 W/PARENT(S)
School #3 000000 Housing #3 W/PARENT(S)
School #4 015549 Housing #4 W/PARENT(S) OFFICE INFORMATION
School #5 003154 Housing #5 W/PARENT(S) DRN 2068
School #6 003051 Housing #6 W/PARENT(S) Primary EFC Type 1
Secondary EFC Type
STEP SEVEN (Q98-Q102) Processed Date 08/12/2000
Date Application Completed 02/26/2000 Application Source FAFSA WEB
Signed By APPLICANT ISIR Transaction Type ELEC. HIST. CORR.
Preparer's SSN Federal School Code Indicator SCHOOL #1
Preparer's EIN Reject Override Codes:
Preparer's Signature B N W
Assumption Override Codes:
1: 2: 3: 4: 5: 6:

FAA INFORMATION Early Analysis Flag
Date ISIR Received 04/12/2000 Rejects Met:
Verification Flag *
System Generated Indicator Dependency Override FAILED
FAA Adjustment FAILED Duplicate Request
Transaction Receipt Date 03/03/2000 Correction # Applied To
Reprocessing Code Application Receipt Date 08/12/2000
Processed Record Type Input Record Type

Paid EFC Type PRIMARY Pell Elig Flag Y Intermediate Values
Primary EFC 2068 Secondary EFC TI 148650 FTI 0
Mon 1 1807 Mon 7 2005 Mon 1 Mon 7 ATI 13528 APA 35100
Mon 2 1840 Mon 8 2036 Mon 2 Mon 8 STX 11890 PCA 0
Mon 3 1873 Mon 10 2128 Mon 3 Mon 10 FA 0 AAI 13370
Mon 4 1906 Mon 11 2188 Mon 4 Mon 11 STI 0 TPC 294
Mon 5 1939 Mon 12 2248 Mon 5 Mon 12 IPA 11750 TSC
Mon 6 1972 Mon 6 AI 13370 PC
CAI SIC 1774
DNW -348000 SCA 2000
Auto Zero EFC Flag Duplicate SSN Flag YES
SNT Flag NO Subsequent App Flag

Match Flags: SSN 4 SSA INS PRI SS N NSLDS 1 VA INS Sec. Conf. Y
INS Ver. No. SS Registration Flag
NSLDS Transaction Number 1 NSLDS Database Results Flag 1

Comments: 054, 260

*=assumption h=highlight flag #=corrected this trans #=corrected previous trans Page 3 of 4

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2001-2002 Institutional Student Information Record

Student ID 001-01-0001 DO 02 EFC 2068 C
Last Name DOE

READ, SIGN, AND DATE

By signing this application, you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include a copy of your U.S. or state income tax form. Also, you certify that you

- will use any federal and/or state student financial aid funds only to pay the cost of attending an institution of higher education,
- are not in default on a federal student loan or have made satisfactory arrangements to repay it,
- do not owe overpayment on a federal student grant or you have made satisfactory arrangement to repay it,
- will notify your school if you do owe an overpayment or are in default,
- understand that the Secretary of Education has the authority to verify information reported on this application with the Internal Revenue Service.

If you purposely give false or misleading information, you may be fined $10,000, sent to prison, or both.

Everyone whose information is given on this form should sign below. The student (and at least one parent, if parent information is given) MUST sign below.

Student Date:

Parent Date:

Page 4 of 4

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2001-2002 Institutional Student Information Record

JOHN DOE
001-01-0001
2001-2002 NSLDS FINANCIAL AID HISTORY Processed: 08/12/2001
This page contains your previous financial aid information, which is contained in the National Student Loan Data System (NSLDS). Your Financial Aid Administrator will use it to determine your eligibility.

****

Overpayment:	Contact:	Discharged:	Defaulted Loans:	Loan Sat. Repayment:	Active Bankruptcy:	Post Screening Reason:
Pell: N						
FSEOG: N						
Perkins:						

****

Aggregate Amount	Outstanding Prin. Bal.:	Pending Disb(s):	Total:
FFELP/Direct Loans:			
Subsidized Loans:	$ 1,313	$ 0	$ 1,313
Unsubsidized Loans:	$	$ 0	$ 0
Combined Loans:	$	$ 0	$131,300
FFEL Consol. Loans:	$ 0		$ 0
Perkins Loans:			

Outstanding Principal Bal.: $ 0 Current Year Loan Amount: $ 0

****

2001-2002 Pell Payment Data:
Sch.Code: 00305100 Tran: 01 Sch.Amt:$ 732 Award Amt:$ 732 Disb.Amt:$ 183 Rem.Amt:$ 549
%Sch.Used: 25.00 As Of: 08/12/2001 Pell Verification Flag: C EFC: 206
Sch.Code: 00305100 Tran: 01 Sch.Amt:$ 332 Award Amt:$ 332 Disb.Amt:$ 166 Rem.Amt:$ 166
%Sch.Used: 50.00 As Of: 09/12/2001 Pell Verification Flag: A EFC: 206
Sch.Code: Tran: Sch.Amt: Award Amt: Disb.Amt: Rem.Amt:
%Sch.Used: As Of: Pell Verification Flag: EFC:

****

Loan Detail:	Net Loan Amount	Begin Date	End Date	GA Code	School Code	Grade Level	Contact Type
	Extra Unsub				Capitalized Interest		
#FFEL Stafford Subsidized	$ 1,334	06/18/1990	08/10/1990	741	00319700	ABC	SCHCONTC
		Health Professions			YES		
Status Code RP as of 12/01/1992							474
Outstanding Bal. $810 as of 09/30/1996							
#FFEL Stafford Unsubsidized	$ 2,053	03/19/1996	09/16/1996	706	00121600	ABC	SCHCONTC
		Health Professions			YES		
Status Code RP as of 01/01/1997							170
Outstanding Bal. $2,053 as of 12/31/1996							
FFEL Stafford Subsidized	$ 225	04/16/1990	06/29/1990	706	02520200	ABC	SCHCONTC
Status Code DU as of 11/30/1992							706
Outstanding Bal. $245 as of 06/30/1993							

2001-2002 Institutional Student Information Record

JOHN DOE
001-01-0001
2001-2002 NSLDS FINANCIAL AID HISTORY (Cont.) Processed: 08/12/2001
This page contains your previous financial aid information, which is contained in the National Student Loan Data System (NSLDS). Your Financial Aid Administrator will use it to determine your eligibility.

****

Loan Detail:	Net Loan Amount / Extra Unsub	Begin Date / Capitalized Interest	End Date	GA Code	School Code	Grade Level	Contact/ Cntct Type
FFEL Stafford Subsidized	$ 225	04/16/1990	06/29/1990	706	02520200	ABC	SCHCONTC
Status Code DU as of 11/30/1992							706
Outstanding Bal. $245 as of 06/30/1997							
FFEL Stafford Subsidized	$ 5,500	09/08/1993	05/19/1994	800	01320800	ABC	SCHCONTC
Status Code RP as of 11/30/1994							173
Outstanding Bal. $5,575 as of 03/31/1997							
FFEL Stafford Subsidized	$ 2,035	08/19/1992	06/14/1993	706	00129400	ABC	SCHCONTC
Status Code ID as of 08/19/1992		006					
Outstanding Bal. $2,035 as of 12/31/1996							
FFEL Stafford Subsidized	$ 2,625	08/19/1996	05/23/1997	706	00859600	ABC	SCHCONTC
Status Code ID as of 08/19/1996							878
Outstanding Bal. $1,312 as of 12/09/1996							
#FFEL Stafford Subsidized	$ 1,334	08/18/1990	08/10/1990	741	00319700	ABC	SCHCONTC
Status Code RP as of 12/01/1992							474
Outstanding Bal. $810 as of 09/30/1996							
Direct Consolidation Unsub	$ 7,692	08/19/1996	06/19/1997		88888800	ABC	SCHCONTC
Status Code RP as of 07/31/1996							100
Outstanding Bal. $7,692 as of 11/30/1996							

MPN Information

Direct Loan MPN: C
FFEL MPN:
FEL MPN Lender Code: 001234

Page 2 of 2 001-01-0001 00 02

U.S. Department of Justice
Immigration and Naturalization Service

SAVE

OMB #1115-0122
Document Verification Request

Section A - To be completed by Requesting Agency

To: Immigration and Naturalization Service

6. Verification Number

7. ☐ Photocopy of Document Attached.
(If printed on both sides, attach a copy of the front and of the back.)
☐ Other Information Attached *(Specify documents)*

From: Typed or Stamped Name and Address of Submitting Agency

Attn: Status Verifier

(INS may use above address with a #20 window envelope)

8. *(Benefit)*	*(Your Case Number)*
☐ AFDC	
☐ Education Grant/Loans/Workstudy	
☐ Food Stamp	
☐ Housing Assistance	
☐ Medicaid/Medical Assistance	
☐ Unemployment Insurance	
☐ Employment Authorization	
☐ Other *(specify)*	

1. Alien Registration or I-94 Number
2. Applicant's Name *(Last, First, Middle)*
3. Nationality
4. Date of Birth *(Month/Day/Year)*
5. Social Security Number

9. Name of Submitting Official
10. Title of Submitting Official
11. Date
12. Telephone Number

Section B - To be completed by INS

INS RESPONSE: From the documents or information submitted and/or a review of our records we find that:

1. ☐ This document appears valid and relates to a **Lawful Permanent Resident alien** of the United States.
2. ☐ This document appears valid and relates to a **Conditional Resident alien** of the United States.
3. ☐ This document appears valid and relates to an alien **authorized employment** as indicated below:
   a. ☐ Full-Time
   b. ☐ Part-Time
   c. ☐ No Expiration (Indefinite)
   d. ☐ Expires on *(specify Month/Day/Year, below)*
4. ☐ This document appears valid and relates to an alien who has an application pending for *(specify INS benefit below)*
5. ☐ This document relates to an alien having been **granted asylum/refugee** status in the United States.
6. ☐ This document appears valid and relates to an alien **paroled** into the United States pursuant to Section 212 of the I&N Act.
7. ☐ This document appears valid and relates to an alien who is a **Cuban/Haitian entrant**.
8. ☐ This document appears valid and relates to an alien who is a **conditional entrant**.
9. ☐ This document appears valid and relates to an alien who is a **nonimmigrant** *(specify type or class below)*
10. ☐ This document appears valid and relates to an alien **not authorized employment** in the United States.
11. ☐ Continue to process as legal alien. INS is searching indices for further information.
12. ☐ This document is **not valid** because it appears to be *(check all that apply)*
    a. ☐ Expired
    b. ☐ Altered
    c. ☐ Counterfeit

INS Stamp

☐ **Please see reverse for additional comments.**

Form G-845S (Rev. 06/06/89) Y

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Comments

13. ☐ No determination can be made from the information submitted. Please obtain a copy of the **original** alien registration documentation and resubmit.
14. ☐ No determination can be made without seeing **both** sides of the document submitted *(please resubmit request*
15. ☐ Copy of document is not readable *(please resubmit request).*

"PRUCOL"

For Purposes Of Determining If Alien Is Permanently Residing Under Color Of Law Only!

16. ☐ INS actively pursues the expulsion of an alien in this class/category.
17. ☐ INS is not actively pursuing the expulsion of an alien in this class/category, at this time.

18. ☐ Other

Instructions

- **Submit copies of both** *front and back* **of alien's original documentation.**
- **Make certain a** *complete return address* **has been entered in the "From" portion of the form.**
- The Alien Registration Number ("A" Number) is the letter "A" followed by a series of (7) or (8) digits. Also in this block may be recorded the number found on Form I-94. (Check the front and back of the I-94 document and if the "A" Number appears, record that number when requesting information instead of the longer admission number as the "A" Number refers to the most integral record available.)
- If Form G-845 is submitted without copies of applicant's original documentation, it will be returned to the submitting agency without any action taken.
- Address this verification request to the local office of the Immigration and Naturalization Service.

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Federal Family Education Loan Program (FFELP)

Federal Stafford Loan Master Promissory Note Instructions and Notices

Guarantor, Program, or Lender Identification

Instructions for Completing Promissory Note

This is a Master Promissory Note under which you may receive multiple subsidized and unsubsidized Federal Stafford Loans over a maximum ten year period. Except for interest charges the federal government pays on your behalf on subsidized Federal Stafford Loans while you are in school and during your grace and deferment periods, you are responsible for paying interest on the principal amount of your loans from the date of disbursement until the loans are paid in full.

Use a dark ink ball point pen or typewriter. Do not complete this form in pencil. If an item has been completed for you and any part of it is incorrect, cross out the incorrect information and print the correct information. Incorrect, incomplete, or illegible information may cause your loan to be delayed.

Item 1: Enter your last name, then your first name and middle initial.

Item 2: Enter your nine-digit Social Security Number. If this item has been completed for you, review it for correctness. If it is incorrect, cross out the entire incorrect number and print the entire correct Social Security Number in this box. Your loan(s) cannot be processed without a Social Security Number. Read the Privacy Act and the Financial Privacy Act Notices below before completing this item.

Item 3: Enter your permanent home street address, apartment number, city, state and zip code. If you have a Post Office Box and a street address, list both. A temporary school address is not acceptable.

Item 4: Enter the area code and telephone number for the address listed in Item 3. If you do not have a telephone, enter N/A.

Item 5: Enter the month, day, and year of your birth. Use only numbers. Be careful not to enter the current year.

Item 6: Enter the two-letter abbreviation for the state that issued your driver's license followed by the driver's license number. If you do not have a driver's license, enter N/A.

Item 7: If you choose, enter the e-mail address you use most frequently.

Item 8: Enter the name and address of the lender from which you wish to borrow this loan(s). If you do not have a lender for this loan, contact your school's financial aid office, a bank or other financial institution, or the guarantor or program listed on this form for information on lenders willing to make loans to students attending your school.

Item 9: If you know the lender code, enter it here. Otherwise, leave this item blank.

Item 10: Enter the requested reference information for two adults who do not share a common United States address. The first reference should be a parent (if living), legal guardian, or an adult relative. References with addresses outside the U.S. are not acceptable. All requested items, including telephone number, must be complete or your loan(s) will be delayed. If a reference does not have a telephone, enter N/A in the appropriate space.

Item 11: Your school will notify you of the amount of subsidized and unsubsidized Stafford loans you are eligible to receive for this and subsequent academic periods. You may decline a loan or request a lower amount by contacting your lender or school. Additional information is included under "Loan Cancellation" in the Borrower's Rights and Responsibilities Statement.

Item 12: Check this box only if you want to make interest payments while in school.

Items 13, 14, and 15: Read these items carefully.

Item 16: Sign your legal name, including your first name, middle initial, and last name. Use a dark ink ballpoint pen. If you are making several copies, press firmly.

Item 17: Enter the date you are signing this Note.

Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you.

The authority for collecting the requested information from and about you is Section 484(a)(4)(B) of the Higher Education Act of 1965, as amended [20 U.S.C. 1091(a)(4)(B)]. You are advised that participation in the Federal Family Education Loan Program is voluntary, but the requested information is necessary for participation.

The principal purpose of this information is to verify your identity, to determine your Program eligibility and benefits, to permit the servicing of your loan(s), and, in the event it is necessary, to locate you and to collect on your loan(s) if it becomes delinquent or defaulted.

The routine uses of this information include its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to guaranty agencies, to credit bureau organizations, to educational and financial institutions, and to agency contractors in order to verify your identity, to determine your Program eligibility and benefits, to permit the servicing or collecting of your loan(s), to counsel you in repayment efforts, to investigate possible fraud and to verify compliance with Program regulations, or to locate you if you become delinquent in your loan(s) payments or you default.

You must provide all of the information requested in order to have your loan processed.

Section 7(b) of the Privacy Act of 1974 (5 U.S.C. 552a Note) requires that when any federal, state, or local government agency requests that you disclose your Social Security Number (SSN), you must also be advised whether that disclosure is mandatory or voluntary, by what statutory or other authority your SSN is solicited, and what uses will be made of it.

Section 7(a)(2) of the Privacy Act provides that an agency may continue to require disclosure of your SSN as a condition to grant you a right, benefit, or privilege provided by law in cases in which the agency required this disclosure under statute or regulation prior to January 1, 1975, in order to verify the identity of an individual.

Disclosure of your SSN is required to participate in the Federal Family Education Loan Program. The United States Department of Education has, for several years, consistently required the disclosure of the SSN on application forms and other necessary Federal Family Education Loan Program documents adopted pursuant to published regulations.

Your SSN will be used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) in order to record necessary data accurately. As an identifier, the SSN is used in such Program activities as determining your Program eligibility, certifying your school attendance and student status, determining your eligibility for deferment of payments, determining your eligibility for loan discharge, and for tracing and collecting from you in case you become delinquent in your loan payments or you default.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), the U.S. Department of Education will have access to financial records in your student loan file maintained by the lender in compliance with the administration of the Federal Family Education Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0006. The time required to complete this information is estimated to average 1.0 hours (60 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:**

U.S. Department of Education
Office of Student Financial Assistance
Policy Development Division
400 Maryland Avenue
S.W. (Room 3053, ROB-3)
Washington, DC 20202-5449

If you have comments or concerns regarding the status of your individual submission of this form, contact the lender, guarantor, or program identified in the upper right-hand corner of this form.

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Federal Family Education Loan Program (FFELP)

Federal Stafford Loan Master Promissory Note

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097.

Guarantor, Program, or Lender Identification

OMB No. 1845-0006
Form approved
Exp. date 8-31-2002

Borrower Information

Please print neatly or type. Read the instructions carefully.

1. Last Name / First Name / MI			2. Social Security Number
3. Permanent Street Address (If P.O. Box, see instructions.)		4. Home Telephone Number ( )	5. Date of Birth (Month/Day/Year)
City / State / Zip Code		6. Driver's License State and Number State #	7. E-mail Address (Optional)
8. Lender Name / City / State / Zip Code			9. Lender Code, if known

10. References. You must provide two separate references with different U.S. addresses. The first reference should be a parent (if living) or legal guardian. Both references must be completed in full.

	A.	B.
Name		
Permanent Address		
City, State, Zip Code		
Area Code/Telephone	( )	( )
Relationship to Borrower		

11. Requested Loan Amount. I request a total amount of subsidized and unsubsidized loans under this Master Promissory Note not to exceed the allowable maximums under the Higher Education Act. My school will notify me of the type(s) and amount(s) of loan(s) that I am eligible to receive. I may decline a loan or request a lower amount by contacting my lender or school. Additional information about my right to cancel or reduce my loan is included in the Borrower's Rights and Responsibilities Statement and Disclosure Statements that have been or will be provided to me.

12. Interest Payments (Optional)

☐ I want to pay unsubsidized interest while I am in school.

Borrower Certifications and Authorizations

Read carefully before signing below.

13. I declare under penalty of perjury that the following is true and correct:
   - **A.** I certify that the information I have provided on this Master Promissory Note and as updated by me from time to time is true, complete, and correct to the best of my knowledge and belief and is made in good faith.
   - **B.** I certify that I will immediately repay any loan proceeds that cannot be attributed to educational expenses for attendance on at least a half-time basis at the school that certified my loan eligibility.
   - **C.** I certify that I do not now owe a refund on a Federal Pell Grant, Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership Grant (formerly State Student Incentive Grant) and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NDSL loans), the Federal Direct Loan Program, or the Federal Family Education Loan Program ("FFELP" as defined in the Borrower's Rights and Responsibilities statement), or I have made satisfactory payment arrangements on the defaulted loans.

14. For all subsidized and unsubsidized Federal Stafford Loans (as described in the additional Note provisions and the Rights and Responsibilities statement) I receive under this Master Promissory Note, and for certain other loans as described below, I make the following authorizations:
   - **A.** I authorize my school to certify my eligibility for loans under this Master Promissory Note.
   - **B.** I authorize my school to transfer loan proceeds received by electronic funds transfer (EFT) or master check to my student account.
   - **C.** I authorize my school to pay to the lender any refund that may be due up to the full amount of the loans.
   - **D.** I authorize the lender, the guarantor, or their agents, to investigate my credit record and report information concerning my loan status to persons and organizations permitted by law to receive such information.
   - **E.** I request and authorize my lender to: **(i)** during the in-school and grace periods of any loans made under this Note, defer and align the repayment of principal on all of my FFELP loans that are in repayment status; and **(ii)** add unpaid interest that accrues on all my FFELP loans to the principal balance of such loans ("capitalization") including such loans made under this Note, during forbearance periods, and for unsubsidized loans, during in-school, grace, and deferment periods as provided under the Act. "Capitalization" will increase the principal balance on my loans and the total amount of interest cost I incur.
   - **F.** I authorize the release of information pertinent to my loans: **(i)** by the school, the lender, and the guarantor, or their agents, to the references on the applicable loans and to members of my immediate family unless I submit written directions otherwise; and, **(ii)** by and among my schools, lenders, guarantors, the Department of Education, and their agents.
   - **G.** So that the loans requested can be approved, I authorize the Department of Education to send any information about me that is under its control, including information from the Free Application for Federal Student Aid, to the school, the lender and to state agencies and nonprofit organizations that administer financial aid programs under the FFELP.

Promise to Pay

In this Note, "lender" refers to, and this Note benefits, the original lender and its successors and assigns, including any subsequent holder of this Note.

15. I promise to pay to the order of the lender all sums disbursed (hereafter "loan" or "loans") under the terms of this Master Promissory Note (hereafter "Note"), plus interest and other charges and fees that may become due as provided in this Note. **I understand that multiple loans may be made to me under this Note.** I understand that by accepting any disbursements issued at any time under this Note, I accept the obligation to repay the loans. I understand I may cancel or reduce the amount of any loan by refusing to accept or by returning all or a portion of any disbursement that is issued. Unless I make interest payments, interest that accrues on my unsubsidized loans during in-school, grace, and deferment periods will be added as provided under the Act to the principal balance of such loans. If I fail to make any payment on any loan made under this Note when due, I will also pay reasonable collection costs, including but not limited to attorney's fees, court costs, and other fees. I will not sign this Note before reading the entire Note, even if otherwise advised. I am entitled to an exact copy of this Note and the Borrower's Rights and Responsibilities statement. My signature certifies I have read, understand, and agree to the terms and conditions of this Note, including the Borrower Certifications and Authorizations printed above, the Notice Applicable to Subsequent Loans Made Under This Note, and the Borrower's Rights and Responsibilities statement.

I UNDERSTAND THAT I MAY RECEIVE ONE OR MORE LOANS UNDER THIS MASTER PROMISSORY NOTE, AND THAT I MUST REPAY SUCH LOAN(S).

16. Borrower's Signature _____ 17. Today's Date *(Month/Day/Year)* _____

Additional Note provisions follow

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Master Promissory Note *(continued)*

Disclosure of Loan Terms

This Note applies to both subsidized and unsubsidized Federal Stafford Loans described in the Interest section below. I agree that the lender may sell or assign this Note and/or my loans and acknowledge that any loan may be assigned independently of any other loan to which this Note applies. I agree that each loan is separately enforceable based on a true and exact copy of this Note. Loans disbursed under this Note are subject to the annual and aggregate loan limits specified in the Higher Education Act of 1965, as amended, 20 U.S.C. 1070, et seq., and applicable U.S. Department of Education regulations (collectively referred to as the "Act"). Under this Note, the principal amount that I owe, and am required to repay, will be the sum of all disbursements issued (unless I reduce or cancel any disbursements as provided below).

My lender will determine whether to make any loan under this Note after my loan eligibility is determined by the school where I am enrolled on at least a half-time basis. At or before the time of the first disbursement for each loan, a disclosure statement will be issued to me identifying the amount of the loan and additional terms of the loan. Important additional information is also disclosed in the Borrower's Rights and Responsibilities statement accompanying this Note. The Borrower's Rights and Responsibilities statement and any disclosure statement I receive in connection with any loan under this Note are hereby incorporated into this Note.

I may request additional loan funds for my educational costs (up to the annual and aggregate loan limits). If my school determines that I am eligible for any additional or adjusted loan amount, my school may certify such amount. My eligibility for subsidized and/or unsubsidized loans may change based on changes in my financial circumstances. My school will notify me of any changes in my eligibility. I will be notified of any changes or additions to my subsidized and/or unsubsidized loans in a separate disclosure statement.

Loan Cancellation

I may pay back all or a portion of a disbursement within time frames set by the Act and identified in the Borrower's Rights and Responsibilities statement or other disclosure statement I receive at or before disbursement. In such case, the origination fee and guarantee fee will be reduced or eliminated in proportion to the amount of the disbursement returned. I will not incur interest charges if I return the full loan amount as provided in the Act.

Interest

Unless my lender notifies me in writing of a lower rate(s), the rate(s) of interest for my loans are those specified in the Act. Rate information is presented in the Borrower's Rights and Responsibilities statement accompanying this Note and in a disclosure that is issued to me.

Interest accrues on the unpaid principal balance of each loan from the date of disbursement by the lender until the loan is paid in full. I agree to pay all interest charges on my subsidized Federal Stafford Loans except interest payable by the federal government under the Act. I agree to pay all interest charges on my unsubsidized Federal Stafford Loans. If I fail to make required payments of interest before the beginning or resumption of principal repayment, or during a period of deferment or forbearance, I agree that the lender may capitalize such interest as provided under the Act. There is no federal interest subsidy on unsubsidized loans, so the total amount of interest I am required to repay on unsubsidized loans will be higher than on subsidized loans.

Origination Fee and Guarantee Fee

For each subsidized and unsubsidized loan, the federal government charges an origination fee equal to the amount required by the Act. The guaranty agency(ies) that guarantee(s) my loans (in each case, the "guarantor") may charge a per loan guarantee fee not to exceed a maximum amount specified in the Act. I will pay these fees, as identified in the disclosure statement, which will be deducted proportionately from each disbursement of my loans. I understand the origination and guarantee fees may be refundable only to the extent permitted by the Act.

Late Charges and Collection Costs

The lender may collect from me: **(i)** a late charge for each late installment payment if I fail to make any part of a required installment payment within 15 days after it becomes due, and **(ii)** any other charges and fees that are permitted by the Act for the collection of my loans. If I default on any loans, I shall pay reasonable collection fees and costs, plus court costs and attorney fees.

Repayment

I am obligated to repay the full amount of the loans made under this Note and interest accrued thereon. Federal Stafford Loans have a repayment grace period, which will be disclosed in my disclosure statement. I will repay the principal of my loans in periodic installments during repayment periods that begin on the day immediately following the end of the applicable grace period. Payments submitted by me or on my behalf (exclusive of refunds) may be applied first to charges and collection costs that are due, then to accrued interest that has not been capitalized, and finally to the principal amount.

I understand that the school's certification of my loan eligibility determines whether my loans must be repaid as subsidized and/or unsubsidized loans.

The lender will provide me with a repayment schedule that identifies my payment amounts and due dates. Except as otherwise provided in the Act, the minimum annual payment required on all my FFELP loans is $600 or the amount of interest due and payable, whichever is larger. My lender must provide me with a choice of repayment plans consistent with the provisions of the Act.

If I am unable to make my scheduled loan payments, the lender may allow me to reduce my payment amount, to extend the time for making payments, or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called forbearance. I agree that the lender may align payment dates on my loans or grant me a forbearance to eliminate a delinquency that persists even though I am making scheduled payments.

I may prepay all or any part of the unpaid balance on my loans at any time without penalty. If I do not specify which loans I am prepaying, the lender will determine how to apply the prepayment in accordance with the Act. Upon repayment in full of each loan under this Note, I agree to accept written notification of such loan payoff in place of receiving the original Note.

Acceleration and Default

At the option of the lender, the entire unpaid balance of the applicable loans shall become immediately due and payable upon the occurrence of any one of the following events: **(i)** I fail to enroll as at least a half-time student at the school that certified my loan eligibility, **(ii)** I fail to use the proceeds of the loans solely for educational expenses, **(iii)** I make a false representation(s) that results in my receiving any loans for which I am not eligible, or **(iv)** I default on the loans.

The following events shall constitute a default on my loans: **(i)** I fail to pay the entire unpaid balance of the applicable loans after the lender has exercised its option under items (i), (ii), or (iii) in the preceding paragraph; (ii) I fail to make installment payments when due, provided my failure has persisted for at least 270 days for payments due monthly; or **(iii)** I fail to comply with other terms of the loans, and the lender or guarantor reasonably concludes I no longer intend to honor my repayment obligation. If I default, the guarantor may purchase my loans and capitalize all then-outstanding interest into a new principal balance, and collection fees will become immediately due and payable.

If I default, the default will be reported to all national credit bureau organizations and will significantly and adversely affect my credit history. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the Borrower's Rights and Responsibilities statement. Following default, the loans may be subject to income-contingent repayment (including potential collection of amounts in excess of the principal and interest) in accordance with the Act.

Governing Law and Notices

The terms of this Note will be interpreted in accordance with the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.), other applicable federal statutes and regulations, and the guarantor's policies. Applicable state law, except as preempted by federal law, may provide for certain borrower rights, remedies, and defenses in addition to those stated in this Note.

If a particular loan under this Note is made by the school, or if the proceeds of a particular loan made under this Note are used to pay tuition and charges of a for-profit school that refers loan applicants to the lender, or that is affiliated with the lender by common control, contract, or business arrangement, any lender holding such loan is subject to all claims and defenses that I could assert against the school with respect to such loan. My recovery under this provision shall not exceed the amount I paid on such loan.

If I reside in the state in which the principal office of the guarantor is located, the guarantor may sue to enforce the applicable loans in the county in which the guarantor's office is located. However, if I object to being sued there and I mail a written objection to the guarantor that is postmarked no later than 30 days after I am served with the suit, the guarantor will either have the court transfer the suit to the county in which I live or will dismiss the lawsuit.

Any notice required to be given to me will be effective if mailed by first class mail to the latest address the lender has for me. I will immediately notify the lender of change of address or status as specified in the Borrower's Rights and Responsibilities statement. Failure by the lender to enforce or insist on compliance with any term on this Note shall not be a waiver of any right of the lender. No provision of this Note may be modified or waived except in writing. If any provision of this Note is determined to be unenforceable, the remaining provisions shall remain in force.

Notice Applicable to Subsequent Loans Made Under This Note

This Master Promissory Note authorizes the lender to disburse multiple loans during the multi-year term of this Note upon my request and upon the school's certification of my loan eligibility.

Additional loans may be made under this Note for the same or subsequent periods of enrollment only at four-year or graduate schools, or other schools, as designated by the Secretary of the U.S. Department of Education. I agree that no subsequent loans will be made under this Note after the earliest of the following dates: (i) the date my lender receives my written notice that no further loans may be disbursed under the Note; (ii) one year after the date of my signature on this Note if no disbursement is made during such twelve month period; or (iii) ten years after the date of my signature on this Note.

Any amendment to the Act governs the terms of any loans disbursed on or after the effective date of such amendment, and such amended terms are hereby incorporated into this Master Promissory Note.

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Borrower's Rights and Responsibilities

Important Notice: *Please retain this statement because it applies to present and subsequent loans received under the Master Promissory Note. You may contact your lender at any time for another copy of this statement.*

The Federal Family Education Loan Program (FFELP) includes the following loans:

- Subsidized Federal Stafford Loan (formerly known as Guaranteed Student Loan [GSL]),
- Unsubsidized Federal Stafford Loan,
- Federally Insured Student Loan (FISL),
- Federal Supplemental Loans for Students (SLS), also known as ALAS,
- Federal PLUS (parent) Loan,
- Federal Consolidation Loan.

The FFELP is authorized by Title IV, Part B of the Higher Education Act of 1965, as amended.

1. Governing Law — Loans disbursed under this Master Promissory Note ("Note") are subject to the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.), and applicable U. S. Department of Education regulations (collectively referred to as the "Act"). **NOTE: Any amendment to the Act governs the terms of any loans disbursed on or after the effective date of such amendment.**

2. Use of this Note — I may receive multiple loans under this Note over a maximum ten year period. Whether I may receive loans under this Note for only one academic period, or for multiple academic periods, depends on the school I am attending. I may receive loans under this Note from the original lender, or a lender who assumes the right to offer loans under this Note, even if I change my school (provided the school is authorized to certify subsequent loans under this Note) and even if the guaranty agency changes. I must sign a new Note if I do not wish to receive loans from my original lender, or a lender who assumes the right to offer me loans under this Note.

3. Subsidized and Unsubsidized Loans — There are two types of Federal Stafford Loans that I may be eligible for under this Note: subsidized and unsubsidized. The subsidized Federal Stafford Loan is based on need. If I qualify, the government pays the lender the interest due on my subsidized loans while I am in school and during grace and deferment periods ("lender" refers to the original lender and its successors, including any subsequent holder of this Note). I am otherwise responsible for interest that accrues on my subsidized loan. The unsubsidized Federal Stafford Loan is not based on need. I am responsible for all interest that accrues on my unsubsidized loans.

4. Maximum Program Loan Amounts — Under the Federal Stafford Loan Program (including both subsidized and unsubsidized loans), I may borrow amounts under this Note up to — but no more than — the dollar amounts shown in the chart on this page (Maximum Annual Stafford Loan Amounts and Maximum Aggregate Stafford Loan Amounts). I am subject to the limits on these loan amounts on the basis of the following:

- My academic level (freshman, sophomore, etc.),
- My status as a dependent student or independent student,
- The length of the academic program in which I am enrolled,
- The length of the remainder of my undergraduate program of study if it is less than one academic year, and
- As otherwise authorized by the Act.

5. Maximum Individual Loan Limits — For each academic period, my school determines the maximum loan amount I am eligible to receive by considering the factors in Section 4 above and other factors such as my Cost of Attendance, Expected Family Contribution, and other financial aid awarded to me. My school will determine first my eligibility for a subsidized Stafford Loan, and then for an unsubsidized Stafford Loan.

If I have received student loans from more than one lender or from other federal student loan programs, I am responsible for informing my school and my lender of my other student loans. In some cases, I may not be eligible for loans for which I have applied.

6. Use of Loan Money — I must use the loan money for authorized educational expenses for attendance at the school that certified my eligibility for the time period shown on my disclosure statement. Authorized expenses include the following:

- Tuition,
- Room,
- Board,
- Institutional fees,
- Books,
- Supplies,
- Equipment,
- Dependent child care,
- Transportation,
- Commuting expenses,
- Rental or purchase of a personal computer,
- Origination fee and guarantee fee, and/or
- Other documented, authorized costs.

7. Disbursement of Loan Money — Generally, my loan money will be disbursed to my school in multiple installments based on the academic terms at my school. If my school does not have academic terms, my loan money will generally be disbursed in at least two installments, one at the beginning and one at the midpoint of my enrollment period for the applicable loans. If my school has a low default rate as specified in the Act, and the period of enrollment is not longer than one semester, trimester, quarter or four months, my loan money may be disbursed in one installment.

Federal Stafford Loan Maximums

	Subsidized	Total (Subsidized & Unsubsidized)[2]
DEPENDENT UNDERGRADUATES[1]		
First Year	$2,625	$2,625
Second Year	$3,500	$3,500
Third Year and Beyond	$5,500	$5,500
INDEPENDENT UNDERGRADUATES (and dependents whose parents are unable to borrow under the PLUS program)		
First Year	$2,625	$6,625
Second Year	$3,500	$7,500
Third Year and Beyond	$5,500	$10,500
GRADUATE AND PROFESSIONAL STUDENTS	$8,500	$18,500
	AGGREGATE LIMITS[3]	
DEPENDENT UNDERGRADUATES	$23,000	$23,000
INDEPENDENT UNDERGRADUATES (and dependents whose parents are unable to borrow under the PLUS program)	$23,000	$46,000
GRADUATE AND PROFESSIONAL STUDENTS	$65,500	$138,500

1 Certain health professions students may qualify for higher limits.

2 All undergraduate annual loan limits are subject to proration.

3 If the borrower does not have financial need for a subsidized Stafford loan using expected family contribution (EFC), or has reached the aggregate limit in subsidized Stafford loans, the borrower may receive up to this entire amount in unsubsidized Stafford loans assuming he or she has remaining eligibility for the loan.

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If I am enrolled in a foreign school, or in a study abroad program through a school in the U.S. (home institution), the disbursement requirements stated above do not apply and:

- The loan money may be sent in one installment directly to me, or
- I may provide my school or home institution, as applicable, a written authorization designating an individual not affiliated with the school or home institution as my power-of-attorney to negotiate any loan disbursements on my behalf.

Loan money may be credited to my account at my school or disbursed by a check or other means made payable to me.

If this is my first student loan under either the Direct Loan Program or the Federal Family Education Loan (FFEL) Program, I must receive entrance counseling before the first disbursement of my subsidized or unsubsidized Federal Stafford loan can be made.

8. Change of Status — I must notify my school and/or lender of certain changes.

I must notify my school's financial aid office if any of the following events take place:

- I reduce my enrollment status to less than half time,
- I withdraw from school,
- I stop attending classes,
- I fail to re-enroll for any term,
- I have a change in my expected graduation date, and/or
- I change my name, local address, permanent address, or e-mail address.

Shortly before my enrollment ends, I must participate in exit counseling with my school, during which I will update my loan records about my:

- Permanent address, e-mail address,
- Telephone number,
- Future employer, and
- References.

I must notify the lender of a particular loan if I fail to enroll with respect to such loan:

- At least half time for the loan period certified, or
- At the school that certified my eligibility.

I must promptly notify my lender(s) if any of the following events occur before loans held by my lender(s) are repaid:

- I change my address or telephone number,
- I change my name (for example, maiden name to married name),
- I withdraw from school or begin attending less than half time,
- I transfer from one school to another school,
- I change my employer or my employer's address or telephone number changes, and/or
- I have any other change in status that would affect my loan (for example, the loss of eligibility for an unemployment deferment by obtaining a job).

9. Effect of Loans on Other Student Aid — Federal law requires that before receiving a Federal Stafford Loan, my school must receive a determination of my Pell Grant eligibility. Also, because an unsubsidized loan is more expensive to borrow than a subsidized loan, my school must determine my subsidized loan eligibility before I am offered an unsubsidized loan.

10. Grace Period — I will receive a 6-month grace period before the first payment of my Federal Stafford Loan must be made. The grace period begins the day after I cease to be enrolled at least half time at an eligible school.

My grace period does not include any period up to 3 years during which I am called or ordered to active duty for more than 30 days from a reserve compo-nent of the Armed Forces of the United States, including the period necessary for me to resume enrollment at the next available regular enrollment period.

11. Repayment — All of my loans made under this Note must be repaid. I may be charged an origination and a guarantee fee for each such loan. The amount of these fees will be deducted proportionately from each disbursement.

The repayment period for my loans begins the day after my 6-month grace period ends. My first payment will be due within 45 days after my grace period ends. My lender will notify me of the date my first payment is due.

I must make payments on my loans even if I do not receive a bill or repayment notice. Billing information is sent to me as a convenience, and I am obligated to make payments even if I do not receive any notice. My minimum annual payment required on all my FFELP loans will not, unless the lender otherwise agrees, be less than $600, except as provided in a graduated or income-sensitive repayment plan. Notwithstanding the preceding sentence, my minimum annual payment will never be less than the amount of interest due and payable.

My principal repayment period for each loan generally lasts 5 years but may not exceed 10 years (except under an extended repayment plan) from the day after the grace period ends.

I will be given the opportunity to choose one of the following repayment plans (for the following repayment plans, the time limits shown do not include periods of deferment and forbearance):

- Standard Repayment Plan — If I choose this plan, I will make fixed monthly payments and repay my loan in full within 10 years from the date the loan entered repayment. Payments must be at least $50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect annual changes in the variable interest rate.
- Graduated Repayment Plan — If I choose this plan, I will usually make lower monthly payments at first, and my payments will increase over time. No single payment will be more than three times greater than any other payment. The number or amount of the payments may need to be adjusted to reflect annual changes in the variable interest rate.
- Extended Repayment Plan — If I choose this plan, I will make monthly payments based on fixed annual or graduated repayment amounts over a period not to exceed 25 years. Payments must be at least $50 a month and will be more, if necessary, to repay the loan within the required time period. The number or amount of the payments may need to be adjusted to reflect annual changes in the variable interest rate. If at the time I sign this Note I have no outstanding balance on a FFELP loan made before October 7, 1998, I am only eligible for this plan if I accumulate outstanding FFELP loans exceeding $30,000.
- Income-Sensitive Repayment Plan — If I choose this plan, my monthly payments will be adjusted annually, based on my expected total monthly gross income from all sources. I may call my lender at any time for more information about this repayment plan option.

These repayment plans will be explained in more detail during my exit counseling session. If I do not choose an income-sensitive, graduated, or extended repayment plan within 45 days after notification of my repayment choices, or if I choose an income-sensitive repayment plan but do not provide the required documentation within the lender-specified time frame, my lender will require that I repay the loan under a standard repayment plan. I may change the repayment plan on my loan(s) once a year.

There will be no penalty for prepaying any portion of my loans.

All payments and prepayments may be applied in the following order: late charges, fees, and collection costs first, outstanding interest second, and outstanding principal last.

If I fail to make any part of an installment payment within 15 days after it becomes due, I may owe a late charge. This charge may not exceed six cents for each dollar of each late installment.

12. Interest Rates — For Stafford Loans first disbursed on or after July 1, 1998, the interest rate will be a variable rate, adjusted annually on July 1, not to exceed 8.25%. The interest rate formula and the actual interest rate applicable to each of my loans will be disclosed to me. After reviewing the actual interest rate, I may cancel or reduce this loan in accordance with the "Loan Cancellation" section below.

13. Payment of Interest — My lender will, during the in-school, grace, deferment and active-duty periods for my loans, defer and align principal payments on my outstanding FFELP loans. Interest that accrues on all my subsidized FFELP loans during authorized forbearance periods, and on all my unsubsidized FFELP loans during periods when I am not making regularly scheduled payments may, unless precluded by the Act, be capitalized (added to the principal of my loans) — unless I pay the interest as it accrues.

Except for interest charges the federal government pays on my behalf for subsidized Federal Stafford Loans (while I am in school at least half time, for up to 3 years during active duty service in the Armed Forces as described in Section 10, during the grace period after I leave school, or during any period of authorized deferment), it is my responsibility to pay interest on the principal amount of my loans from the date of disbursement until the loans are paid in full. For all other periods and for unsubsidized Stafford Loans, it is my responsibility to pay interest on my loans.

If I inform my lender that I wish to pay interest as it accrues, but I do not submit the payments, my lender may capitalize that interest.

Capitalized interest increases the principal balance of my loans and the total amount of interest costs I incur. Interest will be capitalized on my loans as provided under the Act. Generally, capitalization may occur no more frequently than quarterly. However interest that accrues on my unsubsidized Stafford loans during in-school, grace or deferment periods may only be capitalized at the end of such periods. In addition, interest may not be capitalized if my lender grants an administrative forbearance for up to 60 days in order to collect and process documentation supporting my request for a deferment, forbearance, change in repayment plan, or consolidation. (See the chart entitled, "Capitalization of Federal Stafford Loan Interest," for further information on capitalization.)

The charts entitled Repaying My Loans allow me to estimate this cost and estimate the effect of capitalization on my monthly payments. If necessary, I must add two or more estimates of my payments together to approximate more closely the total monthly payment.

The Taxpayer Relief Act of 1997 may allow me to claim a federal income tax deduction for interest payments I make on FFELP loans for the first 60 months (whether consecutive or not) that such loans are in repayment. The deduction applies to interest payments I make on or after January 1, 1998. For further information, I may refer to the IRS Publication 970, which is available at http://www.irs.ustreas.gov.

14. Loan Cancellation — I understand that the terms of a full or partial loan cancellation depend on when I request the cancellation.

At any time before my loan money is disbursed, I may decline all or part of my loan money by notifying my school or lender. No origination fee, guarantee fee or interest will be charged on the amount of the loan that is cancelled.

- If my school credits my loan to my student account, **I may cancel all or a part of my loan by informing my school within 14 days** after the date my school sends me a disbursement notice, or by the first day of the school's payment period, whichever is later. (My school can tell me the first day of the payment period). If I cancel all or a portion of my loan as described in this paragraph, my school will return to my lender the cancelled amount of the loan money and the loan fees will be reduced or eliminated in proportion to the amount returned.
- At any time within 120 days of disbursement, I may pay back all or a part of my loan. The loan fees will be reduced or eliminated in proportion to the amount returned.

15. Sale or Transfer of Loans — The lender may sell or otherwise transfer one or all of my loans without my consent. Should ownership of a loan be transferred, I will be notified of the name, address, and telephone number of the new lender if the address to which I make my payments changes. Sale or transfer of my loans does not affect my rights and responsibilities under such loans. If the lender sells my loans to another originating lender, the lender may also transfer the right to offer subsequent loans under the Note to such purchaser. I always have the right to terminate a lender's ability to make loans to me under this Note by written notice to the lender.

16. Loan Discharge — My loans will be discharged if documentation of my death is submitted to my lender. My loans also may be discharged if I become totally and permanently disabled. A complete application for loan discharge must be submitted to my lender, and documentation verifying the total and permanent disability must be certified by my doctor. My lender may not approve a request for discharge on the basis of total and permanent disability for a condition that existed at the time I applied for this loan unless my doctor certifies that the condition substantially deteriorated after the loan was made.

My loan will not automatically be discharged in bankruptcy. In order to discharge a loan in bankruptcy, I must prove undue hardship in an adversary proceeding before the bankruptcy court.

In certain cases, the Act provides for loan discharge for borrowers who are unable to complete a course of study because the institution closes, or borrowers whose loan eligibility was falsely certified by the institution. The Act also provides for loan discharge in the amount of any required refund that my school failed to make to my lender on my behalf.

Capitalization of Federal Stafford Loan Interest

What is Capitalization?

Capitalization is a process whereby a lender adds unpaid interest to the principal balance of a loan. You are responsible for paying the interest due on your loan as described in Item 3 of this Rights and Responsibilities statement.

If you fail to make required interest payments before the beginning or resumption of principal repayment, or if you are granted a deferment (on an unsubsidized Stafford Loan) or forbearance, your lender may capitalize such interest as provided under the Act. The principal balance of your loan will increase each time your lender capitalizes unpaid interest. As a result, you will pay more interest charges over the life of the loan. When you leave school and begin repaying your loan, your monthly payment amount will be higher or, if your loan is subject to the $50 minimum payment, you will make more payments.

This chart compares the monthly payments on unsubsidized Stafford loans where interest is paid while the borrower is in school and loans where the interest is capitalized. This example uses the maximum interest rate for Stafford loans, 8.25%. This is an estimate only. The actual interest capitalized will depend on factors such as disbursement date, number of disbursements, and the variable interest rate.

Treatment of Interest	Loan Amount	Capitalized Interest for 12 months	Principal to be Repaid	Monthly Payment	Number of Payments	Total Amount Repaid
When you pay the interest	$15,000	$ 0	$15,000	$184	120	$22,077
When you don't pay the interest	$15,000	$1,350	$16,350	$201	120	$24,069

Result: During repayment, you pay $17 less per month and $1,987 less over the lifetime of your loan(s) when you pay the interest as it is charged.

Contact your lender if you have questions or need more information.

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Neither the lender, the guarantor, nor the Department of Education vouch for the quality or suitability of the academic programs offered by participating schools. Unless I qualify for loan discharge under the Act, I must repay the loans even if I do not complete my education, I am unable to obtain employment in my field of study, or I am dissatisfied with, or do not receive, the education I paid for with the loans.

17. Consequences of Default — Default is defined in detail in my Note. If I default, the entire unpaid balance and collection fees on the applicable loans will become immediately due and payable. Failure to repay loans made under this Note may result in any or all of the following:

- Loss of federal and state income tax refunds,
- Loss of other federal or state payments,
- Legal action against me,
- Collection charges (including attorney fees) being assessed against me,
- Loss of my professional license,
- An increase in my interest rate,
- Loss of eligibility for other student aid and assistance under most federal benefit programs,
- Loss of eligibility for loan deferments,
- Negative credit reports to credit bureaus, and/or
- My employer withholding part of my wages to give them to my guarantor (administrative wage garnishment).

18. Credit Bureau Notification — Information concerning the amount, disbursement, and repayment status (current or delinquent) of loans will be reported to one or more national credit bureau organizations on a regular basis. If I default on any loans made under this Note, that default also will be reported to national credit bureaus. Before any guaranty agency reports such a default, it will give me at least 30 days notice that default information will be disclosed to a credit bureau unless I enter into repayment arrangements within 30 days of the date on the notice. The guarantor will give me a chance to ask for a review of the debt(s) before the default is reported. My lender and guarantor must provide a timely response to a request from any credit organization regarding objections I might raise with that organization about the accuracy and completeness of information reported by the lender or guarantor.

19. Special Repayment Arrangements —

- A Federal Consolidation Loan Program is available under which I (or my spouse and I jointly) may consolidate into one debt federal education loans received from different lenders and/or under different education loan programs. Depending on the amount I borrow, this program may provide for an extension of my repayment period. Consolidation permits multiple debts to be combined into one monthly payment. For additional information, I should contact my lender or guarantor.
- Under certain circumstances, military personnel may have their loans repaid by the Secretary of Defense in accordance with 10 U.S.C. 2141. Questions should be addressed to the local service recruiter. This is a recruiting program and does not pertain to prior service individuals or those not eligible for enlistment in the Armed Forces.
- In addition, volunteers who complete service in an approved national or community service project can earn an educational award. The award can be used to repay a Federal Stafford Loan. If I receive an educational award, I am responsible for providing my lender with information and documentation regarding my term of service and the award.

If I am a full-time teacher and at the time I signed this Note I have no outstanding balance on a Title IV loan made before October 1, 1998, I may be eligible for loan forgiveness. The U.S. Department of Education will repay a fixed amount of my subsidized and unsubsidized Stafford loans if I have worked as a full-time teacher for 5 consecutive school years, if I am not in default on any such loan, and if I meet all other eligibility requirements under the Act.

If I am a child care provider and my first FFELP loan was made to me on or after October 7, 1998, I may qualify for loan forgiveness under a demonstration program set forth in the Act. I understand that I must meet other eligibility requirements under the Act and that this program requires annual federal funding.

20. Deferments — Under certain circumstances, I have a right to defer (postpone) repayment. The types of deferments that are available to me depend on when I first obtained a FFELP loan. Upon request, my lender will provide me with a deferment application that explains the eligibility requirements. If I am in default on my loan(s), I am not eligible for a deferment.

If at the time I sign this Note I have no outstanding balance on a FFELP loan made before July 1, 1993, the following deferments are available while I am:

- Enrolled at least half time at an eligible school,
- Engaged in a full-time course of study in a graduate fellowship program,
- Engaged in a full-time rehabilitation training program for individuals with disabilities (if the program is approved by the Department of Education),
- Conscientiously seeking, but unable to find, full-time employment (for up to three years),
- Experiencing an economic hardship as determined by federal law (for up to three years).

My lender will process an in-school deferment based on (i) my request along with documentation verifying my eligibility, or (ii) the lender's receipt of a school certification of eligibility in connection with a new loan, or (iii) the lender's receipt of a student status information indicating that I am enrolled on at least a half-time basis.

In all other cases, I must provide my lender with a deferment request and evidence that verifies my eligibility.

If at the time I sign this Note I have a FFELP loan disbursed before July 1, 1993, information on applicable deferment opportunities will be found in my earlier promissory note materials.

21. Forbearance — If I am unable to make my scheduled loan payments, the lender may allow me to reduce my payment amount, to extend the time for making payments, or to temporarily stop making payments as long as I intend to repay my loan. Allowing me to temporarily delay or reduce loan payments is called a forbearance. Interest charges continue to accrue during a forbearance period.

The lender may grant me a forbearance in the following circumstances:

- Financial hardship, and/or
- Illness.

My lender is generally not required to grant a forbearance and may require me to provide my reasons for the request and other information. The lender may grant me a forbearance to eliminate a delinquency that persists even though I am making scheduled installment payments. My lender may grant me an administrative forbearance for up to 60 days in order to collect and process documentation supporting my request for a deferment, forbearance, change in repayment plan, or consolidation.

Circumstances that require my lender to grant me a forbearance include:

- Serving in a medical or dental internship or residency program, if I meet certain criteria.
- Serving in a national service position for which I receive a national service education award under the National and Community Service Trust Act of 1993. In some cases, the interest that accrues on a qualified loan during the service period will be paid by the Corporation for National and Community Service.
- Qualifying for partial repayment of my loans under the Student Loan Repayment Program, as administered by the Department of Defense.
- Having a monthly debt burden for Title IV loans that collectively equals or exceeds 20% of my total monthly gross income (for up to three years).

Upon request, my lender will provide me with forbearance information and a forbearance request form.

Repayment information follows

Important Notice: Please retain this statement because it applies to present and subsequent loans received under the Master Promissory Note.

Repaying My Loans

Follow these steps to estimate your loan payment. For subsidized Federal Stafford Loans, complete Step 3 only. The federal government pays the interest while you are in school.

Step 1: Calculate Your Monthly Interest Charges

As an example, we've used a $4,500 loan with a 7% interest rate. If your loan amount is not on the table, follow the example below to estimate your monthly accrued interest.

Example:
Stafford Loan of $4,500 at 7% interest

$4,000 = $23.33/month
+ 500 = 2.92/month
$26.25/month

Your Monthly Interest $ _____

Approximate Monthly Interest

Loan Amount	6.5%	7.0%	7.5%	8.0%	8.25%
$500	$2.71	$2.92	$3.13	$3.33	$3.44
$1,000	$5.42	$5.83	$6.25	$6.67	$6.88
$2,000	$10.83	$11.67	$12.50	$13.33	$13.75
$3,000	$16.25	$17.50	$18.75	$20.00	$20.63
$3,500	$18.96	$20.42	$21.88	$23.33	$24.06
$4,000	$21.67	$23.33	$25.00	$26.67	$27.50
$5,000	$27.08	$29.17	$31.25	$33.33	$34.38
$5,500	$29.79	$32.08	$34.38	$36.67	$37.81
$6,000	$32.50	$35.00	$37.50	$40.00	$41.25
$7,000	$37.92	$40.83	$43.75	$46.67	$48.13
$8,000	$43.33	$46.67	$50.00	$53.33	$55.00
$8,500	$46.04	$49.58	$53.13	$56.67	$58.44

Step 2: Estimate Your Capitalized Interest

Complete this step only if you will capitalize interest on an unsubsidized Federal Stafford Loan. ***This is an estimate only.*** Actual interest capitalized will depend on factors such as disbursement dates, number of disbursements, and the variable interest rate.

	Monthly Interest (From Step One)		Number of Months in school and Grace		Estimate of Capitalized Interest
Sample	$ 26.25	X	$ 27	=	$ 709
Unsubsidized Stafford	$ _____	X	$ _____	=	$ _____

Step 3: Estimate Your Monthly Payment

Round your loan up to the nearest $500. If your principal amount is not on the table, follow the example above in Step 1 to estimate your monthly payment. If you previously had interest capitalized, add it to the original loan amount to get the new principal amount.

Example:
Stafford Loan of $4,500 at 7% interest

$4,500 = Principal amount
+ 709 = Interest capitalized
$5,209 = New Principal Amount

Round up to nearest $500 = $5,500
Estimated Monthly Payment = $63.86

*Minimum monthly payment = $50 or amount of interest accruing each month.

Estimated Monthly Payments *(10 Year Term)*

Principal Balance	6.5%	7.0%	7.5%	8.0%	8.25%
$500*	$5.68	$5.81	$5.94	$6.07	$6.13
$1,000*	$11.35	$11.61	$11.87	$12.13	$12.27
$2,000*	$22.71	$23.22	$23.74	$24.27	$24.53
$3,000*	$34.06	$34.83	$35.61	$36.40	$36.80
$3,500*	$39.74	$40.64	$41.55	$42.46	$42.93
$4,000*	$45.42	$46.44	$47.48	$48.53	$49.06
$5,000	$56.77	$58.05	$59.35	$60.66	$61.33
$5,500	$62.45	$63.86	$65.29	$66.73	$67.46
$6,000	$68.13	$69.67	$71.22	$72.80	$73.59
$7,000	$79.48	$81.28	$83.09	$84.93	$85.86
$8,000	$90.84	$92.89	$94.96	$97.06	$98.12
$8,500	$96.52	$98.69	$100.90	$103.13	$104.25

	Loan Amount		Estimate of Capitalized Interest (From Step Two)		New Principal Balance	Estimated Monthly Payment
Sample	$ 4,500	+	$ 709	=	$ 5,209	$ 63.86
Subsidized Stafford	$ _____	+	$ - 0 -	=	$ _____	$ _____
Unsubsidized Stafford	$ _____	+	$ _____	=	$ _____	$ _____

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Federal Family Education Loan Program (FFELP)

Federal Stafford Loan School Certification

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097

Guarantor, Program, or Lender Identification

(Reserved for school, lender, or guarantor mailing address as appropriate)

1. School Code

2. School Information (Name, address, and phone number)

To be completed by a financial aid administrator or other school official authorized to certify financial aid forms.

3. Borrower's Last Name	First Name	MI	4. Social Security Number

5. Permanent Street Address	6. Telephone Number	7. Date of Birth (Month/Day/Year)

City	State	Zip	8. Borrower e-mail Address (optional)

9. Lender Code/Name

10. Grade Level	11. Enrollment Status (Check one) ☐ Full Time ☐ At Least Half Time	12. Anticipated (Completion) Graduation Date (Month/Day/Year)

13. Loan Period (Month/Day/Year)	14. Certified Loan Amounts	15. Recommended Disbursement Date(s) (Month/Day/Year)
From	a. Subsidized $ .00	1st 2nd
To	b. Unsubsidized $ .00	3rd 4th

School Certification

I hereby certify that the borrower named on this Certification is accepted for enrollment on at least a half-time basis and is making satisfactory progress in a program that is eligible for the loan type(s) certified. I certify that the student is an eligible borrower in accordance with the Higher Education Act of 1965, as amended, and applicable U.S. Department of Education regulations (collectively referred to as the Act). I further certify that the borrower's eligibility for a Pell Grant has been determined, that the borrower is not incarcerated, and that the borrower has been determined eligible for loan(s) in the amount(s) certified. I further certify that the disbursement schedule complies with the requirements of the Act and hereby authorize the guarantor and/or the lender to adjust disbursement dates if necessary to ensure compliance with the Act. I further certify that, based on records available and due inquiry, the borrower has met the requirements of the Selective Service Act and that the information provided in this Certification is true, complete, and accurate to the best of my knowledge and belief. I agree to provide the borrower **(i)** with confirmation of any transfer of funds through electronic funds transfer (EFT) or master check to the borrower's student account, and **(ii)** with an opportunity to cancel or reduce any disbursement of a loan.

16. Signature of Authorized School Official _____ 17. Date *(Month/Day/Year)* _____

Name/Title *(Printed or Typed)* _____

Please refer to the instructions for completing this form.

Instructions for Certifying a Federal Stafford Loan

Important Notice: *If certification information is transmitted electronically, do not complete the School Certification form.*

Item 1: Enter the code for your institution. This code is provided by the U.S. Department of Education for the Federal Family Education Loan Program.

Item 2: Enter your school name, address, and telephone number, including area code, of the school official who can answer questions about this certification.

Item 3: Enter the borrower's complete name, last name first, followed by the first name and middle initial.

Item 4: Enter the borrower's social security number.

Item 5: Enter the borrower's permanent street address.

Item 6: Enter the borrower's telephone number.

Item 7: Enter the borrower's date of birth in month, day, year format.

Item 8: Enter the borrower's e-mail address if known.

Item 9: Enter the borrower's lender selection (identification number and name) if known.

Item 10: Enter the academic level of the student seeking this loan. Select the proper grade level indicator using the standard grade level codes provided:

Code	Grade Level
1	Freshman/First Year (including proprietary institution programs that are less than one year in duration)
2	Sophomore/Second Year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other Undergraduate (including sixth year undergraduate and continuing education students)
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional

Item 11: Indicate whether the student is (or plans to be) enrolled at least half time or full time. Students enrolled (or planning to enroll) less than half time are not eligible.

Item 12: Enter the date the student is expected to complete the program at your institution. Use numbers in a Month/Day/Year format; for example, 6/9/96. Day date is needed to determine the specific day the student will enter repayment (as per the Act). If you are unsure of the actual completion date in the future, enter the last day of the month.

Item 13: Enter the dates covered by the student's cost of attendance. These dates must coincide with actual term starting and ending dates. At a school without academic terms, these dates must coincide with the borrower's program of study if that is less than an academic year in length, or the academic year. Use numbers in a Month/Day/Year format.

Item 14: Enter the lesser of the following: A) the amount of the student's eligibility for each loan type, or B) the loan amount requested by the student. The student's eligibility must be reduced if the student is attending a program with a length of less than a full academic year, or completing the remaining balance of a program in a period of less than an academic year. The student's eligibility may also be reduced based on professional judgment. If this field is left blank, the loan(s) will be delayed.

Item 14a: Certify the lesser of the student's eligibility for a subsidized Federal Stafford Loan or the subsidized Stafford amount requested by the student. If the student is not eligible for a subsidized Federal Stafford Loan, enter 0.

Item 14b: Certify the lesser of the student's eligibility for an unsubsidized Federal Stafford Loan or the unsubsidized Stafford amount requested by the student. If the student is not eligible for an unsubsidized Federal Stafford Loan, enter 0.

Item 15: Enter the disbursement dates for this loan(s) as determined in accordance with the Act.

Item 16: Your signature acknowledges that you have read and agree to the provisions in the School Certification. You must sign the Certification and print your name and title.

Item 17: Enter the date of Certification.

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Application and Promissory Note for Federal PLUS Loan

OMB No. 1845-0009 Form Approved Exp. Date 07/31/2001

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 U.S.C. 1097

Guarantor or Program Identification

Borrower Section *(To be completed by the parent.)*

Please print neatly or type. Read the instructions carefully.

1. Last Name | First Name | MI
2. Social Security Number
3. Permanent Street Address (If P.O. Box, see instructions.) | City | State | Zip Code
4. Telephone Number ( )
5. Loan Period (Month/Year) From To
6. Driver's License Number (List state first.)
7. Date of Birth (Month/Day/Year)
8. Lender Name | City | State | Zip Code
9. Lender Code, if known
10. Requested Loan Amount $
11. U.S. Citizenship Status (Check one and list ID number if applicable.) ☐ a. Citizen/National ☐ b. Eligible Non-Citizen Alien ID #
12. a. State of Legal Residence b. Since (Month/Year)
13. Employer (Name, City, State) Telephone Number ( )
14. Are you currently in default on a federal education loan, or do you owe a refund on a federal student grant? If yes, carefully read instructions and attach required documentation. ☐ a. Yes ☐ b. No
15. If the school your dependent is attending participates in electronic funds transfer (EFT), do you authorize the school to transfer the loan proceeds received by EFT to your dependent's student account? ☐ a. Yes ☐ b. No
16. Do you have an outstanding Federal Stafford, Supplemental Loan for Students, Parent PLUS, or Consolidation Loan which was disbursed before July 1, 1993? ☐ a. Yes ☐ b. No
    If you checked "yes", do you want to postpone (defer) payment of the principal of this loan based on the student's in-school status? ☐ c. Yes ☐ d. No
    If you checked "yes" to Box (a) and (c), do you want the interest that accrues on this loan deferred and capitalized? If no, you will be required to pay the interest. ☐ e. Yes ☐ f. No
17. **References:** You must provide two separate references with different U.S. addresses. Both references must be completed fully.

	1.	2.
Name		
Permanent Address		
City, State, Zip Code		
Area Code/Telephone	( )	( )

Promissory Note

Continued on the reverse side.

Promise to Pay: I promise to pay to the lender, or a subsequent holder of this Promissory Note, all sums disbursed (hereafter "loan" or "loans") under the terms of this Note, plus interest and other fees which may become due as provided in this Note. If I fail to make payments on this Note when due, I will also pay reasonable collection costs, including attorney's fees, court costs and collection fees. I understand I may cancel or reduce the size of any loan by refusing to accept any disbursement that is issued. I understand that this is a Promissory Note. I will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am entitled to an exact copy of this Promissory Note and the Borrower's Rights and Responsibilities. My signature certifies I have read, understand, and agree to the terms and conditions of the Application and Promissory Note, including the Borrower Certification and Authorization, and the accompanying Borrower's Rights and Responsibilities statement.

THIS IS A LOAN THAT MUST BE REPAID.

18. Borrower's Signature _____ Today's Date (Month/Day/Year) _____

Student Section *(To be completed by the student.)*

Please print neatly or type. Read the instructions carefully.

19. Last Name | First Name | MI
20. Social Security Number / /
21. Date of Birth (Month/Day/Year)
22. U.S. Citizenship Status (Check one and list ID number if applicable.) ☐ a. Citizen/National ☐ b. Eligible Non-Citizen Alien ID #
23. Are you currently in default on a federal education loan, or do you owe a refund on a federal student grant? If yes, carefully read instructions and attach required documentation. ☐ a. Yes ☐ b. No
24. My signature certifies that I have read, understand and agree to the conditions in the Student Certification and Authorization printed on the reverse of this Application and Promissory Note.
    Student's Signature _____ Today's Date (Month/Day/Year) _____

School Section *(To be completed by an authorized school official.)*

25. School Name
26. Street Address | City | State | Zip Code
27. Loan Period (Month/Day/Year) From To
28. Grade Level
29. Enrollment Status (Check one.) ☐ Full Time ☐ At Least Half Time
30. Anticipated Completion (Graduation) Date (Month/Day/Year)
31. School Code/Branch
32. Cost of Attendance $ .00
33. Estimated Financial Aid $ .00
34. Certified Loan Amount $ .00
35. Signature of Authorized School Official/Date (See School Certification box on the reverse side.)
    Print or Type Name and Title
    Check box if electronically transmitted to guarantor ☐
36. Telephone Number ( )
37. Recommended Disbursement Date(s) (Month/Day/Year) 1st 2nd 3rd 4th

Lender Section *(To be completed by an authorized lending official.)*

38. Lender Name
    Street Address | City | State | Zip Code
39. Lender Code/Branch
40. Telephone Number ( )
41. Amount Approved
42. Signature of Authorized Lending Official
    Print or Type Name and Title | Date
43. Lender Use Only

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Promissory Note *(continued)*

Disclosure of Terms

This Note applies to the Federal PLUS Loan. I agree that the lender or any subsequent holder may assign my loan.

At or before the time of my first disbursement, the lender will send me a disclosure statement identifying additional terms of the loan. Important additional information is also disclosed in the statement of Borrower's Rights and Responsibilities accompanying this Note.

Interest

Unless my lender notifies me in writing of a lower rate, the rate of interest for my loan is specified in the Higher Education Act of 1965, as amended, and applicable U.S. Department of Education regulations (collectively referred to as the Act). This rate is presented in the statement of Borrower's Rights and Responsibilities.

Interest accrues on the unpaid principal balance of a loan from the date of disbursement by the lender until the entire principal balance is paid in full. This includes interest accruing during any period of deferment or forbearance. I agree to pay all interest charges on my Federal PLUS Loan.

I will begin paying interest upon disbursement of my Federal PLUS Loan to the school. Unless I have agreed to pay the interest that accrues either monthly or quarterly, the interest that accrues shall be added to the principal balance of my loan (capitalization) no more frequently than quarterly.

If I fail to make required payments of interest before the beginning of principal repayment, or during a period of authorized deferment or forbearance, I agree that the holder may capitalize such interest to the extent permitted by the Act.

Origination Fee and Guarantee Fee

For each loan, the federal government charges an origination fee equal to the amount required by the Act. The guaranty agency that guarantees my loan (the guarantor) may charge a guarantee fee not to exceed a maximum amount specified in the Act. I will pay these fees, as identified in the disclosure statement, which will be deducted proportionately from each disbursement of my loan. I understand the origination and guarantee fees are refundable only if a disbursement is cancelled or repaid in full within 120 days of disbursement or returned by a school at any time to comply with the Act or regulations.

Late Charges and Collection Costs

If I fail to make any part of an installment payment within 10 days after it becomes due, the holder may collect from me a late charge not to exceed 6% of each late installment. If I default on a loan, I shall pay reasonable collection fees and costs plus court costs and attorneys fees.

Repayment

The holder of my loan will offer me the option of repaying my loan in accordance with a standard, income-sensitive, graduated, or, in some cases, an extended repayment schedule.

I am obligated to repay the full amount of the loan and accrued interest. I will repay the principal of my loan in periodic installments during a repayment period that begins on the day of the final disbursement. My principal repayment period for each loan, exclusive of any period of deferment or forbearance, generally lasts five years but may not exceed 10 years, unless I am eligible for an extended repayment plan.

The holder of my loan will provide me with a repayment schedule that identifies my payment amounts and due dates. The minimum annual payment required on all my Federal PLUS, Stafford, and SLS Loans is $600 or the amount of interest due and payable, whichever is larger.

My repayment schedule may include all of my Federal Family Education Loans that are owned by the holder of this Note. I agree that the holder may grant me a forbearance for purposes of aligning payment dates on my loans or to eliminate a delinquency that persists even though I am making scheduled payments.

I may prepay all or any part of the unpaid balance on my loans at any time without penalty. If I do not specify which loans I am prepaying, the holder will determine how to apply the prepayment.

Acceleration and Default

At the option of the holder, the entire unpaid balance shall become immediately due and payable upon the occurrence of any one of the following events: **(i)** the student for whom I am borrowing fails to enroll as at least a half-time student at the school that certified my Application; **(ii)** I fail to use the proceeds of the loan solely for educational expenses of the dependent student for whom I borrowed; **(iii)** I make a false representation(s) that results in my receiving a loan for which I am not eligible; or **(iv)** I default on the loan.

The following events shall constitute default on a loan: **(i)** I fail to pay the entire unpaid balance after the holder has exercised its option under the preceding paragraph; or **(ii)** I fail to make installment payments when due, or fail to comply with other terms of the loan, and the guarantor reasonably concludes I no longer intend to honor my repayment obligation, provided my failure has persisted for at least 270 days for payments due monthly or 330 days for payments due less frequently than monthly. If I default, the guarantor may purchase my loan, and capitalize all then-outstanding interest into a new principal balance, and collection fees will become immediately due and payable.

If I default, this will be reported to national credit bureau organizations and will significantly and adversely affect my credit history. I acknowledge that a default shall have additional adverse consequences to me as disclosed in the statement of Borrower's Rights and Responsibilities. Following default, the loan may be subject to income-contingent repayment (including potential collection of amounts in excess of the principal and interest) in accordance with the Act.

Governing Law and Notices

The terms of this Note will be interpreted in accordance with the Higher Education Act of 1965, as amended (20 U.S.C. 1070 et seq.), other applicable federal statutes and regulations, and the guarantor's policies. Applicable state law, except as preempted by federal law, may provide for certain borrower rights, remedies, and defenses in addition to those stated in this Note.

If this loan is made by the school, or if the proceeds of this loan are used to pay tuition and charges of a for-profit school that refers loan applicants to the lender, or that is affiliated with the lender by common control, contract, or business arrangement, any holder of this Note is subject to all claims and defenses which I could assert against the school. My recovery under this provision shall not exceed the amount I paid on this loan.

If I reside in the state in which the principal office of the guarantor is located, the guarantor may sue to enforce this loan in the county in which the guarantor's office is located. However, if I object to being sued there and I mail a written objection to the guarantor that is postmarked no later than 30 days after I am served with the suit, the guarantor will either have the court transfer the suit to the county in which I live or will dismiss the lawsuit.

Any notice required to be given to me will be effective if mailed by first class mail to the latest address I have provided to the holder of this Note, or if the holder reasonably determines that this address is no longer my address, to the latest address secured by the holder from the Department of Education or other reliable source. Failure by the holder to enforce or insist on compliance with any term on this Note shall not be a waiver of any right of the holder. No provision of this Note may be modified or waived except in writing. If any provision of this Note is determined to be unenforceable, the remaining provisions shall remain in force.

Borrower Certification and Authorization

I declare under penalty of perjury that the following is true and correct:

(1) I certify that the information contained in the Borrower Section of the Application is true, complete, and correct to the best of my knowledge and belief and is made in good faith.

(2) I certify that I am the natural or adoptive parent of the student named in the Student Section of this Application and that (s)he is my legal dependent, or that I am the spouse of the natural or adoptive parent and that my income and assets would have been taken into account when calculating the expected family contribution for the student named in the Student Section of this Application.

(3) I certify that loan proceeds will be used for authorized educational expenses incurred by the dependent student named in the Student Section and that I will immediately repay any loan proceeds that cannot reasonably be attributed to educational expenses for attendance on at least a half-time basis at the certifying school for the loan period certified on the Application.

(4) I certify that the total amount of loan I receive under this Note will not exceed the allowable maximums under the Act.

(5) I certify that I do not now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NDSL loans), the Federal Direct Loan Program, or the Federal Family Education Loan Program (as defined in the statement of Borrower's Rights and Responsibilities) or, if I am in default, I have made payment arrangements that are satisfactory to the holder.

(6) I authorize the lender of my loan, or its agent, to investigate my credit record to determine my eligibility for this loan and report information concerning my loan status to proper persons and organizations.

(7) I authorize my dependent's school to pay to the holder any refund, that may be due to me, up to the amount of the loan.

(8) I authorize the release of information pertinent to this loan: **(i)** by the school, current holder, and the guarantor, or their agents, to members of my immediate family unless I submit written directions otherwise; and **(ii)** by and amongst the schools, lenders, guarantors, subsequent holders, the Department of Education, and their agents.

(9) So that the loan requested can be approved, I authorize the Department of Education to send any information about me that is under its control, including information from the Free Application for Federal Student Aid, to state agencies and nonprofit organizations that administer financial aid programs under the FFELP.

Student Certification and Authorization

I declare under penalty of perjury that the following is true and correct:

(1) I certify that the information contained in the Student Information Section of the Application is true, complete, and correct to the best of my knowledge and belief and is made in good faith.

(2) I certify that the borrower named in the Borrower Section of this Application is my natural or adoptive parent, or is the spouse of my natural or adoptive parent.

(3) I certify that I do not now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant and that I am not now in default on any loan received under the Federal Perkins Loan Program (including NDSL loans), the Federal Direct Loan Program, or the Federal Family Education Loan Program (as defined in the statement of Borrower's Rights and Responsibilities) or, if I am in default, I have made payment arrangements that are satisfactory to the holder.

(4) I authorize the certifying school to pay to the holder any refund that may be due to me up to the amount of the loan.

(5) I authorize the release of information pertinent to this loan **(i)** by the school, current holder, and the guarantor, or their agents, to members of my immediate family unless I submit written directions otherwise, and **(ii)** by and amongst my schools, lenders, guarantors, subsequent holders, the Department of Education, and their agents.

(6) I authorize the borrower identified in the Borrower Section to borrow on my behalf.

(7) So that the loan requested can be approved, I authorize the Department of Education to send any information about me that is under its control, including information from the Free Application for Federal Student Aid, to state agencies and nonprofit organizations that administer financial aid programs under the FFELP.

School Certification

I hereby certify that the student named on this Application is accepted for enrollment on at least a half-time basis and is making satisfactory progress in a program that is eligible for the loan type certified. I certify that the borrower is an eligible borrower in accordance with the Act and has been determined eligible for a loan in the amount certified. I further certify that the disbursement schedule complies with the requirements of the Act and hereby authorize the guarantor to adjust disbursement dates if necessary to ensure compliance with the Act. I further certify that, based on records available and due inquiry, the student has met the requirements of the Selective Service Act, is not incarcerated and is not liable for an overpayment of any federal grant made under the Act, and that the information provided in the Student and the School sections of the Application (including information supplied in electronic format) is true, complete and accurate to the best of my knowledge and belief. I agree to provide the borrower with confirmation of any transfer of funds through EFT to the borrower's dependent student's account.

09/13/99

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Instructions for Completing Federal PLUS Loan Application and Promissory Note

Guarantor or Program Identification

Borrower Section

(Items 1-18 are to be completed by the parent borrower.)

Your lender will perform a standard credit check with a national credit bureau organization before approving this loan. Under federal law you may not have adverse credit. Therefore, under program regulations, if the credit report indicates a bankruptcy, default, repossession, unresolved litigation, or judgment within the most recent five years, the loan will not be approved. You also may not be more than 90 days past due on any scheduled payment. If your loan is denied because of an adverse credit rating, your lender will contact you and explain the appeal process.

Do not complete this form in pencil. Use a black ink ball point pen or typewriter. You are making several copies, so press firmly on a hard surface. If all copies are not legible, your application will be delayed. Incorrect or incomplete information may also cause your application to be delayed.

Item 1: Enter your last name, then your first name and middle initial. If this item has been completed for you and any part of your name is incorrect, cross out all the incorrect information and print the correct information.

> **Note:** ***The legal guardian of a student may no longer borrow a PLUS loan on his or her behalf.***

Item 2: Enter your nine-digit Social Security Number. If this item has been completed for you, review it for correctness. If it is incorrect, cross out the entire incorrect number and print the entire correct Social Security Number in this box. An application without a Social Security Number will not be processed. Read the Privacy Act and the Right to Financial Privacy Act Notices in this booklet before completing this item.

Item 3: Enter your permanent home street address, apartment number, city, state, and zip code. If you have a Post Office Box and a street address, you must list both. If this item has been completed for you and any part of your address is incorrect, cross out the incorrect information and print the correct information.

Item 4: Enter the area code and telephone number for the address listed in Item 3. If you have no telephone, enter N/A.

Item 5: Enter the beginning and ending dates (Month/Year) of the academic period for which this loan is to be used (for example, 9/94 to 6/95). These dates must not be more than 12 months apart.

Item 6: Enter your current driver's license number, listing the state that issued this license, followed by the number. If you do not have a driver's license, enter N/A.

Item 7: Enter the month, day, and year of your birth. Use only numbers. Be careful not to enter the current year.

Item 8: Enter the name and address of the lender from which you wish to borrow this loan. If you do not already have a lender for this loan, contact the lender where you do business, the school's financial aid office, or the guarantor or program listed in the upper right-hand corner.

Item 9: If you know the six-digit lender code, enter it here. Otherwise, leave this item blank.

Item 10: Enter the maximum amount you wish to borrow under the PLUS Loan program for the dependent listed in the Student Section. Apply only for what you will need to pay for your dependent's educational expenses this year, keeping in mind your ability to repay your loan(s). You may borrow up to the student's estimated cost of education at the school the student will attend minus any estimated financial assistance the student has or will be awarded during the period of enrollment. This amount will be disbursed in two or more installments based on the student's academic terms, or at a school without academic terms, at the beginning and midpoint of the student's period of enrollment unless the school is exempt from this requirement. *You must initial any corrections you make in this box.*

> **Note:** ***A disclosure statement will set forth the interest rate and any additional fees. This statement must be presented to you before you receive funds from your lender.***

Item 11: Indicate your U.S. citizenship status. Contact the school's Financial Aid Office if you are unsure of your eligibility.

> **Item 11a:** Check this box if you are a U.S. citizen, U.S. national, or a permanent resident of Palau.
>
> **Item 11b:** Check this box if you are a permanent resident with an Alien Registration Receipt Card (Form I-151 or I-551) or you have a form I-94 showing any one of the following designations: 1) Refugee; 2) Asylum Granted; 3) Indefinite Parole and/or Humanitarian Parole; or 4) Cuban-Haitian entrant. Write in your eight- or nine-digit Alien Registration Number.

Item 12: Indicate your state of residence and the year you established residency.

> **Item 12a:** Write in the two-letter postal abbreviation for your current state/country of legal residence.
>
> **Item 12b:** Write in the month and year you became a resident of the state listed in Item 12a.

Item 13: *It is important that we be able to reach you during the process of making this loan and during repayment.* Enter your employer's name, city, state, and telephone number. If you are not employed, enter N/A.

Item 14: Indicate whether you are in default on a federal education loan or owe a refund on a federal student grant. The definition of default for your loan(s) is included on your Promissory Note(s).

> **Item 14a:** Check this box if you are now in default on any loan received under the Federal Perkins Loan Program (including NDSL Loans), Federal Direct Loan Program, or the Federal Family Education Loan Program (or "FFELP" as defined in the statement of Borrower's Rights and Responsibilities) or, if you are in default, but you have made payment arrangements that are satisfactory to the holder.
>
> Also, check this box if you now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant.
>
> **Note:** If you answered yes to this question, you must attach a written statement explaining your current status and submit it with your application.
>
> **Item 14b:** Check this box if you are not in default on any loan received under the Federal Perkins Loan Program (including NDSL Loans), Federal Direct Loan Program, or the Federal Family Education Loan Program ("FFELP" as defined in the statement of Borrower's Rights and Responsibilities) ***and*** if you do not now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant.

Item 15: Your answer to this question determines whether you wish to authorize your dependent's school to transfer your loan proceeds received by electronic funds transfer (EFT) to your dependent's student account at the school, if the school participates in EFT. If the school participates in EFT and you answer no to this question, delivery of the loan proceeds may be delayed.

> **Note:** Federal PLUS loan funds must be delivered to the school your dependent is attending. The loan funds will be disbursed in a prorated amount based on the academic terms (semesters, quarters), or at a school without academic terms at the beginning and midpoint of the student's period of enrollment unless the school is exempt from this requirement. If the funds are disbursed in the form of a check, the check will be made copayable to you and the school.

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Borrower Section (continued)

Item 15a: Check this box if you authorize the school to transfer your loan proceeds received by EFT to your dependent's student account.

Item 15b: Check this box if you do not wish to authorize the school to transfer the loan proceeds received by EFT to your dependent's student account, and you want the funds sent to you.

Item 16: If you have an outstanding FFELP loan (see Borrower's Rights and Responsibilities) prior to July 1, 1993, you may be eligible for postponement of payment (deferment) of your loan(s) based on your dependent student's enrollment. To be eligible for this deferment, the student for whom you are borrowing must be enrolled in an eligible institution on at least a half-time basis.

Item 16a: If you have an outstanding balance on any FFELP loans disbursed prior to July 1, 1993, check this box.

Item 16b: If you do not have an outstanding balance on any FFELP loans that were disbursed prior to July 1, 1993, check this box.

Item 16c: If you checked Box A and want to defer this and your other outstanding FFELP loans, check this box. If the student is enrolled at least half time, you must have no outstanding FFELP loans disbursed before July 1, 1987 for a period of enrollment beginning before July 1, 1987.

Item 16d: If you checked Box B, you cannot defer this loan based on the student's enrollment status.

Item 16e: If you checked Boxes A and C and want to defer the interest payments due on this and other eligible FFELP loans, check this box.

Note: Interest will accrue on a daily basis from the date the loan funds are disbursed by the lender to the school until this loan is paid in full or cancelled. (See capitalization chart for effect on your loan balance.)

Item 16f: If you checked boxes A and C and do not want to defer the interest, check this box. You must contact your lender to establish an interest payment schedule. If you do not make interest payments when due, the interest will be added to your outstanding principal balance (capitalized) no more frequently than quarterly.

Item 17: Enter the requested information for two adult references with different United States addresses. References with addresses outside the U.S. are not acceptable. All requested items, including telephone number, must be complete or your application will be delayed. If a reference does not have a telephone enter N/A in the appropriate space.

Item 18: Sign your legal name, including your first name, middle initial, and last name. Use a ballpoint pen. You are making several copies, so press firmly.

Enter the date you are signing the Application/ Promissory Note.

By signing, you:

1) Acknowledge that you have read, understand, and agree to the provisions in the Borrower Certification and Authorization section, the Promissory Note, and the accompanying statement of Borrower's Rights and Responsibilities.

2) Agree to repay the loan in full according to the terms and conditions in the Promissory Note.

Note: Borrower signature and date are required. If you fail to sign and date the Promissory Note, your application will not be processed.

Student Section (Items 19-24 are to be completed by the dependent for whom the parent is borrowing the loan.)

Do not complete in pencil. Use a black ink ball point pen or typewriter. You are making several copies, so press firmly on a hard surface. If all copies are not legible, your application will be delayed. Incorrect or incomplete information may also cause your application to be delayed.

Item 19: Enter your last name, then your first name, and middle initial. If this item has been completed for you and any part of your name is incorrect, cross out all the incorrect information and print the correct information.

Item 20: Enter your nine-digit Social Security Number. If this item has been completed for you, review it for correctness. If it is incorrect, cross out the entire incorrect number and print the correct Social Security Number in this box. An application without a Social Security Number will not be processed. Read the Privacy Act and the Right to Financial Privacy Act Notices in this booklet before completing this item.

Item 21: Enter the month, day, and year of your birth. Use only numbers. Be careful not to enter the current year.

Item 22: Indicate your U.S. citizenship status. Contact your school's Financial Aid Office if you are unsure of your eligibility.

Item 22a: Check this box if you are a U.S. citizen, U.S. national, or a permanent resident of Palau.

Item 22b: Check this box if you are a permanent resident with an Alien Registration Receipt Card (Form I-151 or I-551) or you have a form I-94 showing any one of the following designations: 1) Refugee; 2) Asylum granted; 3) Indefinite Parole and/or Humanitarian Parole; or 4) Cuban-Haitian entrant. Write in your eight- or nine-digit Alien Registration Number.

Item 23: Indicate whether you are in default on a federal educational loan or owe a refund on a federal student grant. The definition of default for your loan(s) is included on your Promissory Note(s).

Item 23a: Check this box if you are now in default on any loan received under the Federal Perkins Loan Program (including NDSL Loans), Federal Direct Loan Program, or the Federal Family Education Loan Program (or "FFELP" as defined in the statement of Borrower's Rights and Responsibilities) or, if you are in default, ***but*** you have made payment arrangements that are satisfactory to the holder.

Also, check this box if you now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant.

Note: If you answered yes to this question, you must attach a written statement explaining your current status and submit it with the application.

Item 23b: Check this box if you are not in default on any loan received under the Federal Perkins Loan Program (including NDSL Loans), Federal Direct Loan Program, or the Federal Family Education Loan Program (or "FFELP" as defined in the statement of Borrower's Rights and Responsibilities) ***and*** if you do not now owe a refund on a Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, or a Leveraging Educational Assistance Partnership grant.

Item 24: Sign your legal name, including your first name, middle initial, and last name. Use a ballpoint pen. You are making several copies, so press firmly.

Enter the date you are signing the Application/ Promissory Note.

By signing, you acknowledge that you have read, understand, and agree to the provisions contained in the Student Certification in the Promissory Note.

Note: Student signature and date are required. If you fail to sign and date the form, the application will not be processed.

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School Section *(Items 25-37 are to be completed by the Financial Aid Administrator or Other Authorized School Official.)*

If you will be electronically transmitting this data to the guaranty agency, check the Box in Item 35, and leave this section blank. All data fields must be transmitted. Transmission acknowledges that you have read and agree to the provisions in the School Certification.

Only a Financial Aid Administrator or other authorized school official is to complete this section. Improperly certified information can create a financial liability for the school.

Items 25-26: Enter your school name and complete address of the office that certifies this application.

Item 27: Enter the dates covered by the Cost of Attendance shown in Item 32. These dates must coincide with actual term starting and ending dates. At a school without academic terms, these dates must coincide with the student's program of study if that is less than one academic year in length, or the academic year. Please use numbers in a Month, Day, Year format; for example, 9/15/94.

Item 28: Indicate the academic level of the student identified in the Student Section. Select the proper grade level indicator using the standard grade level codes provided.

Code	Grade Level
1	Freshman/First Year *(Including proprietary institution programs that are less than one year in duration.)*
2	Sophomore/Second Year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other Undergraduate *(Including sixth year undergraduate and continuing education students.)*
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional

Item 29: Indicate whether the dependent student for whom the parent is borrowing is enrolled at least half time or full time. Parents may not borrow for students enrolled less than half time.

Item 30: This is the date the student is expected to complete the program at your institution. Please use numbers in a Month, Day,Year format; for example, 6/15/95. Day date is needed to determine the specific day the borrower ceases to be eligible for a deferment of repayment based on the dependent student's enrollment. If you are unsure of the actual completion (graduation) date in the future, enter the last day of the month.

Item 31: Enter the assigned six-or eight-digit code for your institution. This code is provided by the U.S. Department of Education for the Federal Family Education Loan Programs.

Item 32: Enter the total cost for the dependent student for whom the parent is borrowing for tuition and fees, room and board, books and supplies, transportation, and personal expenses for the period of enrollment covered by this Application.

Item 33: Enter the amount of financial aid, which the school knows the dependent student for whom the parent is borrowing has been or will be awarded for the enrollment period shown in Item 27. Financial aid should include aid from all federal, state or private sources, excluding the loan applied for with this application.

Item 34: Enter the amount of the borrower's eligibility for the Federal PLUS Loan. The borrower's eligibility may be reduced based on professional judgment. If this field is left blank, the application will be delayed.

Item 35: Your signature acknowledges that you have read and agree to the provisions contained in the School Certification in the Promissory Note. You must sign the application, print your name, and provide the date of certification, unless you are submitting the information electronically.

Item 36: Enter the telephone number, including area code, of the school official who can answer questions about this application.

Item 37: Enter the disbursement dates for this loan according to the following requirements: 1) Multiple disbursements are required unless the loan is disbursed more than halfway through the loan period. 2) Schools may not request that the lender disburse loan proceeds earlier than 30 days before the first day of the loan period. 3) Second disbursements, if requested earlier than the mid-point of the period of enrollment, must not be disbursed earlier than 30 days before the beginning of the second term.

Lender Section *(Items 38-43 are to be completed by an authorized lending official.)*

This section need not be completed by the lender if the lender has made alternative arrangements with the guarantor to provide the required information.

Item 38: Enter your Lender name and complete address.

Item 39: Enter the assigned six-digit code for your lending institution. This code has been provided by the U.S. Department of Education for the Federal Family Education Loan Program.

Item 40: Enter the telephone number, including area code, of the lending official who can answer questions about this application.

Item 41: Indicate the approved amount of the Federal PLUS Loan. Unless you wish to reduce the amount certified by the school or if the School Section is marked "Electronically Transmitted" in Box 35, you may leave this field blank. If you leave this field blank, the loan will be approved for the lesser of the amount the school certified or the amount the borrower requested. The amount will be disclosed to you on the notice of guarantee.

Item 42: Sign and date the application. Print or type your name and the date you are approving the application.

Item 43: This item may be left blank or used by the lender as needed.

Equal Credit Opportunity Act Notice

The following information must be provided to an applicant when you deny a Federal Family Education Loan.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against you on the basis of race, color, religion, national origin, sex, marital status, or age (provided that you have the capacity to enter into a binding contract); because all or part of your income derives from any public assistance program; or because you have in good faith exercised any right under the Consumer Credit Protection Act.

The names and addresses of the federal agencies which administer compliance with this law are listed below. During the course of the loan application process your lender will, upon request, inform you of the proper body which regulates the lender.

Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Office of the Comptroller of the Currency
490 L'Enfant Plaza East, SW
Washington, DC 20219

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Federal Home Loan Bank Board
101 Indiana Avenue, NW
Washington, DC 20552

National Credit Union Administration
2025 M Street, NW
Washington, DC 20456

Federal Trade Commission
6th Street and Pennsylvania Avenue, NW
Washington, DC 20580

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Important Notices

Privacy Act Notice

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authority for collecting the requested information from and about you is Section 484(a)(4)(B) of the Higher Education Act of 1965, as amended [20 U.S.C. 1091(a)(4)(B)]. You are advised that participation in the Federal Family Education Loan Program is voluntary, but the requested information is necessary for participation.

The principal purpose of this information is to verify your identity, to determine your Program eligibility and benefits, to permit the servicing of your loan(s), and, in the event it is necessary, to locate you and to collect on your loan(s) if it becomes delinquent or defaulted.

The routine uses of this information include its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to guaranty agencies, to credit bureau organizations, to educational and financial institutions, and to agency contractors in order to verify your identity, to determine your Program eligibility and benefits, to permit the servicing or collecting of your loan(s), to counsel you in repayment efforts, to investigate possible fraud and to verify compliance with Program regulations, or to locate you if you become delinquent in your loan(s) payments or you default.

You must provide all of the information requested in order to have your application processed.

Section 7(b) of the Privacy Act of 1974 (5 U.S.C. 552a note) requires that when any federal, state, or local government agency requests that you disclose your Social Security Number (SSN), you must also be advised whether that disclosure is mandatory or voluntary, by what statutory or other authority your SSN is solicited, and what uses will be made of it.

Section 7(a)(2) of the Privacy Act provides that an agency may continue to require disclosure of your SSN as a condition to grant you a right, benefit, or privilege provided by law in cases in which the agency required this disclosure under statute or regulation prior to January 1, 1975, in order to verify the identity of an individual.

Disclosure of your SSN is required to participate in the Federal Family Education Loan Program. The United States Department of Education has, for several years, consistently required the disclosure of the SSN on application forms and other necessary Federal Family Education Loan Program documents adopted pursuant to published regulations.

Your SSN will be used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) in order to record necessary data accurately. As an identifier, the SSN is used in such Program activities as determining your Program eligibility, certifying your school attendance and student status, determining your eligibility for deferment of payments, determining your eligibility for disability or death claims, and for tracing and collecting from you in case you become delinquent in your loan payments or you default.

Financial Privacy Act Notice

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3421), the U.S. Department of Education will have access to financial records in your student loan file maintained by the lender in compliance with the administration of the Federal Family Education Loan Program.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0009. The time required to complete this information is estimated to average 0.50 hours (30 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:**

U.S. Department of Education
Office of Student Financial Assistance
Policy Development Division
400 Maryland Avenue
S.W. (Room 3053, ROB-3)
Washington, DC 20202-5449

If you have any comments or concerns regarding the status of your individual submission of this form, write directly to the guarantor or program identified in the upper right-hand corner of this form.

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Borrower's Rights and Responsibilities

FFELP Definition: The Federal Family Education Loan Program includes the subsidized Federal Stafford Loan, formerly known as Guaranteed Student Loan (GSL); the former Federally Insured Student Loan (FISL); the unsubsidized Federal Stafford Loan; the Federal Supplemental Loans for Students (SLS), formerly known as ALAS; the Federal PLUS (parent) Loan, and the Federal Consolidation Loan. The FFEL Program is authorized by Title IV; Part B of the Higher Education Act of 1965.

1. **Maximum Loan Amounts** - Under the Federal PLUS Program, I may borrow an amount not to exceed the student's estimated cost of attendance minus any estimated financial assistance the student has or will be awarded during the period of enrollment.

2. **Loan Proceeds** - I must use the loan money for authorized educational expenses incurred by my dependent student to attend the school named for the loan period shown on the Application. Authorized expenses include: tuition, room, board, fees, books, supplies, equipment, transportation and commuting expenses. Loan proceeds may not be used to purchase or lease an automobile.

The loan money will be disbursed in a prorated amount based on the academic terms at the school. At a school without academic terms, disbursement will be made at the beginning and midpoint of the period of enrollment unless the school is exempt from this requirement. If disbursed by check, the check will be copayable to me and the school, and sent to the school. If I approve, the loan money may be sent to the school by electronic funds transfer.

3. **Change of Status** - Federal law requires me to notify my lender (or any subsequent holder of my loan), in writing, if any of the following events occur before my loan is repaid:

- I change my address;
- I change my name (for example, maiden name to married name);
- the student fails to enroll A) at least half time, or B) for the loan period certified, or C) at the school that certified my Application;
- the student withdraws from school or begins attending less than half time;
- the student transfers to another school;
- the student graduates;
- I change my employer or my employer's address changes; or
- I have any other change in status that would affect my loan status (for example, the loss of eligibility for an unemployment deferment by obtaining a job).

The student and/or I must notify the school, while enrolled, of local address changes.

4. **Effect of Loans on Other Student Aid** - As receipt of a loan will affect the student's eligibility for other student aid, it may be beneficial to determine the student's eligibility for grants, work-study funds and other forms of student assistance before applying for a PLUS loan.

5. **Interest** - For PLUS Loans made on or after July 1, 1994, the interest rate will be a variable rate, adjusted annually on July 1, not to exceed 9%. For loans made between July 1, 1994, and June 30, 1998, the variable rate for each 12-month period will be equal to the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to June 1, plus 3.1%. For loans made on or after July 1, 1998, the rate of interest will be described to me in a disclosure statement. Outstanding PLUS Loans that I received prior to October 1, 1992, may have a different interest rate. The actual interest rate applicable to my loan will be disclosed to me in a disclosure statement.

It is my responsibility to pay interest on the unpaid principal amount of the loan from the date of disbursement until the entire principal sum and accrued interest are paid in full. I am responsible for payment of all interest that accrues on this loan.

6. **Cost of Deferring Interest Payments** - Under certain circumstances, for example during deferment or forbearance, I will not be required to make principal payments, but interest charges on my PLUS Loan will accrue. This interest may be paid or capitalized. Capitalization may occur no more frequently than quarterly.

If I choose to defer and capitalize interest charges, this will increase the principal balance of my loan and the total amount of interest cost I incur. If I agree to make payments but do not, the interest will be added to the loan principal (capitalized). This will also increase the principal amount of my loan and the total amount of interest cost I incur.

The chart on the next page allows me to estimate the cost of capitalization and estimate the effect it will have on my monthly payments. If necessary, I must add two or more estimates of my payment together to approximate more closely the total monthly payment.

7. **Sale or Transfer of Loan(s)** - The lender may sell or otherwise transfer my loan without my consent. Should ownership of a loan be transferred, I will be notified of the name, address and telephone number of the new holder of my loan, if the address where I make my payments changes. Sale or transfer of my loan to a subsequent holder does not affect my rights and responsibilities.

8. **Consequences of Default** - Default is defined in the Note. If I default, the entire unpaid balance and collection fees will become immediately due and payable. Failure to repay this or any FFELP loan may result in any or all of the following: loss of federal and state income tax refunds, legal action, assessment of collection charges including attorney fees, loss of professional license, loss of eligibility for other student aid and assistance under most federal benefit programs, loss of eligibility for deferments, negative credit reports, and administrative wage garnishment.

9. **Credit Bureau Notification** - Information concerning the amount, disbursement, and repayment of my loan will be reported to one or more national credit bureau organizations. If I default on this or any FFELP loan, this will also be reported to national credit bureaus. I will be notified at least 30 days in advance that default information will be disclosed to a credit bureau unless I enter into repayment arrangements on the loan within 30 days of the date on the notice. I will be given a chance to ask for a review of the debt before it is reported. My holder and guarantor must provide a timely response to a request from any credit organization regarding objections I might raise with that organization about the accuracy and completeness of information.

10. **Special Repayment Arrangements** - A Federal Consolidation Loan Program is available under which I (or my spouse and I jointly) may consolidate into one debt federal education loans received from different lenders and/or under different education loan programs. This Program allows the repayment period to exceed the normal 10-year period and permits multiple debts to be combined into one monthly payment. For additional information, I should contact my lender(s), holder(s), or guarantor(s).

Under certain circumstances, military personnel may have their loans repaid by the Secretary of Defense in accordance with 10 U.S.C. 2141. Questions should be addressed to the local service recruiter. This is a recruiting program and does not pertain to prior service individuals or those not eligible for enlistment in the Armed Forces. *I am responsible for any payments due on my loan even though I may qualify for military repayment programs.*

11. **Loan Cancellation** - My loan debt will be cancelled if I, or the dependent student for whom this loan was borrowed, dies. Documentation verifying the death must be submitted to the holder of this Note.

My loan debt will also be cancelled if I become permanently and totally disabled. However, the holder of my loan may not approve the request for cancellation based on permanent and total disability if the condition existed before I applied for this loan. If the condition did exist, my doctor must certify that the condition substantially deteriorated after the loan was approved. An application for cancellation must be submitted to my holder, and documentation verifying the permanent and total disability must be certified by my doctor and accepted by the holder of this loan.

My loan(s) will not automatically be discharged in bankruptcy.

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The Act provides for certain loan cancellations for borrowers whose dependent students are unable to complete a course of study because the institution closes, or whose eligibility was falsely certified by the institution. If the school failed to make a refund that it owed to my lender, the portion of the loan that should have been refunded shall be discharged.

Neither the lender, the guarantor, nor the Department of Education vouch for the quality or suitability of the academic programs offered by participating schools. Repayment of this loan is not contingent upon the performance of my dependent's school of attendance, nor the student's obtaining employment in his/her field of study.

12. Deferments - I have a right to postpone repayment if I provide the holder of my loan(s), or its servicing agent, with a request for a deferment together with evidence that verifies my eligibility. Upon request, the holder will provide me with a deferment application that lists deferment categories and eligibility requirements. The types of deferments that are available depend on when I first borrowed a FFELP loan (formerly called GSL).

Borrowers with PLUS Loans that were first disbursed on or after July 1, 1993, and who had no outstanding balance on a FFELP loan at the time are eligible for the following types of deferments:

- while enrolled at least half time at an eligible school,
- provided the program is approved by the Department of Education, while pursuing a graduate fellowship program or rehabilitation training program for individuals with disabilities,
- up to three years, while conscientiously seeking but unable to find full-time employment,
- up to three years, for any reason (in accordance with federal regulations) that has caused the borrower to have an economic hardship.

Deferments for borrowers with an outstanding FFELP Loan disbursed prior to July 1, 1993, include:

- while enrolled full time at an eligible school or pursuing a graduate fellowship program or a rehabilitation program for disabled individuals,
- while enrolled at least half time at an eligible school,
- while a student for whom the borrower has obtained a Federal PLUS Loan is A) enrolled full time at an eligible school, B) pursuing an eligible graduate fellowship program, or C) pursuing an approved rehabilitation training program,
- while a student for whom the borrower has obtained a Federal PLUS Loan is enrolled at least half time at an eligible school,
- up to 24 months while conscientiously seeking but unable to find full-time employment, or
- up to three years while the borrower or dependent is temporarily totally disabled.

In addition to the above deferments, borrowers with an outstanding Federal PLUS Loan(s) made prior to August 15, 1983, are eligible for the following deferments:

- while on active duty status in the U.S. Armed Forces or service in the U.S. Public Health Service as a commissioned officer,
- while serving as a full-time volunteer under the Peace Corps Act, in an ACTION Program or another comparable program determined eligible for deferment by the U.S. Department of Education, or
- while serving in an internship or residency to receive professional recognition to begin professional practice, or leading to a postgraduate degree or certificate.

13. Forbearance - If I am unable to make my scheduled payments, the lender or holder of my promissory note may allow me to reduce the amount of my payment or to temporarily stop making payments as long as I intend to repay my loan. This action is called a forbearance.

During a period of forbearance, interest charges continue to accrue while I am temporarily permitted to delay or reduce payments. If I am willing but financially unable to make payments under my repayment schedule, I may request forbearance to allow for any of the following:

- a short period during which I make no payments,
- an extension of time for making payments, or
- a period during which I make smaller payments than were originally scheduled.

My holder is generally not required to grant a forbearance and may require me to provide my reasons for the request and other information. If I am serving in a national service position for which I receive a national service education award under the National and Community Service Trust Act of 1993, my holder is required to grant me a forbearance. The Act also requires forbearance when my annual debt burden for FFELP Loans equals or exceeds 20% of my disposable income.

Capitalization of Federal PLUS Loan Interest

What is capitalization?

Capitalization is a process whereby a lender adds unpaid interest to the principal balance of a loan. You are responsible for paying the interest due on a PLUS Loan from the date the lender disburses the loan funds to the school until the loan is paid in full.

If you are granted a deferment or forbearance and you choose to defer and capitalize interest charges, the principal balance of your loan will increase each time your lender capitalizes unpaid interest. As a result, you will pay more interest charges over the life of the loan. When you begin repaying your loan, your monthly payment amount will be higher or, if your loan is subject to the $50 minimum payment, you will make more payments.

Contact your lender if you have any questions or need more information.

This chart compares the monthly payments on loans where interest is paid while the student is in school (Option 1) and loans where the interest is capitalized (Option 2).

	Option 1: Interest Payment Made			Option 2: Interest Payment Deferred	
Loan Type	**Loan Amount**	**Monthly Interest**	**Monthly Payment***	**Interest Capitalized****	**Monthly Payment***
PLUS Loan	$2,000	$15.29	$ 50.00* (47 payments)	$186.17	$ 50.12 (54 payments)
9% interest	$4,000	$30.58	$ 50.67	$367.07	$ 56.15
	$8,000	$61.15	$101.35	$734.12	$110.65

* 120 monthly payments unless otherwise noted.

** The estimate of interest capitalized in these examples is based on quarterly capitalization over a 12-month period.

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Repaying Your Loans

Follow these steps to estimate your loan payment.

Step 1: Calculate Your Monthly Interest Charges

Round your loan up to the nearest $500. If your loan amount is not on the table, follow the example below to estimate your monthly accrued interest.

Example:
PLUS Loan of $4,500 at 7% interest

$4,000 = $23.33/month
+ 500 = 2.92/month
$26.25/month*

Your Monthly Interest $ _____

Approximate Monthly Interest

Loan Amount	7.0%	8.0%	9.0%	10.0%
$500	$2.92	$3.33	$3.75	$4.17
$1,000	$5.83	$6.67	$7.50	$8.33
$2,000	$11.67	$13.33	$15.00	$16.67
$3,000	$17.50	$20.00	$22.50	$25.00
$3,500	$20.42	$23.33	$26.25	$29.17
$4,000	$23.33	$26.67	$30.00	$33.33
$5,000	$29.17	$33.33	$37.50	$41.67
$5,500	$32.08	$36.67	$41.25	$45.83
$6,000	$35.00	$40.00	$45.00	$50.00
$7,000	$40.83	$46.67	$52.50	$58.33
$7,500	$43.75	$50.00	$56.25	$62.50

Step 2: Estimate Your Capitalized Interest

Complete this step only if you will capitalize interest on a PLUS Loan. ***This is an estimate only.*** Actual interest capitalized will depend on disbursement dates, number of disbursements, the variable interest rate, and the frequency of capitalization.

	Monthly Interest (From Step One)		Number of Months in Deferment or Forbearance		Estimate of Capitalized Interest
Sample	$ 26.25	X	$ 27	=	$ 708.75
Your Capitalized Interest	$ _____	X	$ _____	=	$ _____

Step 3: Estimate Your Monthly Payment

Round your loan up to the nearest $500. If your principal amount is not on the table, follow the example below to estimate your monthly payment. If you previously had interest capitalized, add it to the original loan amount to get the new principal amount.

Example:
PLUS Loan of $5,208.75 (4,500 + 708.75) at 7% interest

$5,000 = $58.07/month
+ 500 = 5.81/month
$63.88/month

* Minimum monthly payment = $50 or amount of interest accruing each month

Estimated Monthly Payments *(10 Year Term)*

Principal Balance	7.0%	8.0%	9.0%	10.0%
$500*	$5.81	$6.07	$6.34	$6.61
$1,000*	$11.61	$12.14	$12.67	$13.22
$3,000*	$34.83	$36.41	$38.01	$39.66
$5,000	$58.07	$60.68	$63.36	$66.10
$7,000	$81.30	$84.95	$88.70	$92.54
$9,000	$104.52	$109.23	$114.04	$118.98
$10,000	$116.14	$121.36	$126.72	$132.20
$15,000	$174.21	$182.04	$190.07	$198.29
$20,000	$232.28	$242.72	$253.43	$264.39
$25,000	$290.34	$303.41	$316.79	$330.49

	Loan Amount		Estimate of Capitalized Interest (From Step Two)		New Principal Balance	Estimated Monthly Payment
Sample	$ 4,500.00	+	$ 708.75	=	$ 5,208.75	$ 63.88
Your Monthly Payment	$ _____	+	$ _____	=	$ _____	$ _____

08/13/99

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SCH

IN-SCHOOL DEFERMENT REQUEST

Federal Family Education Loan Program

OMB No. 1845-0005
Form Approved
Exp. Date 06/30/2002

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents shall be subject to penalties which may include fines, imprisonment or both, under the U.S. Criminal Code and 20 U.S.C. §1097.

SECTION 1: BORROWER IDENTIFICATION

Please correct or, if information is missing, enter below. If a correction, check this box: ☐

SSN ___ - ___ - ____

Name _____

Address _____

City, State, Zip _____

Telephone - Home ( ) _____

Telephone - Other ( ) _____

SECTION 2: DEFERMENT REQUEST

Before answering any questions, carefully read the entire form, including the instructions and other information in Sections 5 and 6.

■ I meet the qualifications for the deferment checked below and request that my loan holder defer repayment of my loan(s):

☐ While I am enrolled at an eligible school as a **FULL-TIME STUDENT**. (For borrowers with any FFEL Program loan.)

☐ While I am enrolled at an eligible school as a **LESS THAN FULL-TIME BUT AT LEAST HALF-TIME STUDENT**. (For borrowers who, on the date they signed the promissory note, did not have an outstanding balance on a FFEL Program loan made before July 1, 1987.)

NOTE: *Your promissory note or other loan documents may state that a borrower with an outstanding balance on a FFEL Program loan made prior to July 1, 1993 must receive another loan in order to qualify for a half-time student deferment. This requirement was eliminated by the Higher Education Amendments of 1998. Effective October 1, 1998, no FFEL Program borrower who is eligible for a deferment based on enrollment as at least a half-time student is required to receive another loan in order to qualify for this deferment.*

SECTION 3: BORROWER UNDERSTANDINGS AND CERTIFICATIONS

■ **I understand that: (1)** Principal payments will be deferred, but if I have an unsubsidized loan, I am responsible for paying the interest that accrues. **(2)** I have the option of making interest payments on my unsubsidized loan(s) during my deferment. I may choose to make interest payments by checking the box below; unpaid interest that accrues will be capitalized by my loan holder.

☐ I wish to make interest payments on my unsubsidized loan(s) during my deferment.

(3) My deferment will begin on the date the deferment condition began. **(4)** My deferment will end on the earlier of the date that the condition that establishes my deferment eligibility ends or the certified deferment end date. **(5)** My loan holder will not grant this deferment request unless all applicable sections of this form are completed and any required additional documentation is provided. **(6)** If my deferment does not cover all my past due payments, my loan holder may grant me a forbearance for all payments due before the begin date of my deferment or — if the period for which I am eligible for a deferment has ended — a forbearance for all payments due at the time my deferment request is processed. **(7)** If I am eligible for a post-deferment grace period on loans made before October 1, 1981, my loan holder may grant me a forbearance on my other loans for this period so that I can begin repayment of all my loans at the same time. I understand that my loan holder may capitalize the interest that accrues on my other loans during the six-month period and that this will increase the principal balance of my other loans. **(8)** My loan holder may grant me a forbearance on my loans for up to 60 days, if necessary, for the collection and processing of documentation related to my deferment request. Interest that accrues during the forbearance will not be capitalized.

■ **I certify that: (1)** The information I provided in Sections 1 and 2 above is true and correct. **(2)** I will provide additional documentation to my loan holder, as required, to support my deferment status. **(3)** I will notify my loan holder immediately when the condition(s) that qualified me for the deferment ends. **(4)** I have read, understand, and meet the eligibility criteria of the deferment for which I have applied.

Borrower's Signature _____ **Date** _____

SECTION 4: AUTHORIZED OFFICIAL'S CERTIFICATION

NOTE: As an alternative to completing this section, the school may attach its own enrollment certification report listing the required information.

I certify, to the best of my knowledge and belief, that the borrower named above:

(1) is/was enrolled as (check the appropriate box) ☐ a full-time student ☐ at least a half-time student

during the academic period from ___ - ___ - ____ to ___ - ___ - ____ and

(2) is reasonably expected to complete his/her program requirements on ___ - ___ - ____

Name of Institution _____ OPE-ID _____

Address _____ City, State, Zip _____

Name/Title of Authorized Official _____ Telephone ( ) _____

Authorized Official's Signature _____ **Date** _____

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SECTION 5: INSTRUCTIONS FOR COMPLETING THE FORM

Type or print using dark ink. Report dates as month-day-year (MM-DD-YYYY). For example, 'January 1, 1999' = '01-01-1999'. An authorized school official must either (A) complete Section 4, or (B) attach the school's own enrollment certification report listing the required information. If you need help completing this form, contact your loan holder.

Return the completed form and any required documentation to the address shown in Section 7.

SECTION 6: DEFINITIONS FOR IN-SCHOOL DEFERMENT REQUEST

Definitions

- The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans.
- A **deferment** is a period during which I am entitled to postpone repayment of the principal balance of my loan(s). The federal government pays the interest that accrues during an eligible deferment for all subsidized Federal Stafford Loans and for Federal Consolidation Loans for which the Consolidation loan application was received by my loan holder **(1)** on or after January 1, 1993 but before August 10, 1993, **(2)** on or after August 10, 1993, if it includes ***only*** Federal Stafford Loans that were eligible for federal interest subsidy, or **(3)** on or after November 13, 1997, for that portion of the Consolidation loan that paid a subsidized Federal Stafford Loan or a Federal Direct Stafford/Ford (Direct Subsidized) Loan. I am responsible for the interest that accrues during this period on all other FFEL Program loans.
- **Forbearance** means permitting the temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously scheduled. I am responsible for paying the interest on my loan(s) during a forbearance.
- The **holder** of my FFEL Program loan(s) may be a lender, guaranty agency, secondary market, or the U.S. Department of Education.
- **Capitalization** is the addition of unpaid interest to the principal balance of my loan. This will increase the principal and the total cost of my loan.
- An **authorized certifying official** for an In-School Deferment is an authorized official of the school where I am/was enrolled as a full-time or at least half-time student.

SECTION 7: WHERE TO SEND THE COMPLETED DEFERMENT REQUEST

RETURN THE COMPLETED DEFERMENT REQUEST AND ANY REQUIRED DOCUMENTATION TO:
(IF NO ADDRESS IS SHOWN, RETURN TO YOUR LOAN HOLDER)

SECTION 8: IMPORTANT NOTICES

Privacy Act Disclosure Notice

The Privacy Act of 1974 (5 U.S.C. §552a) requires that we disclose to you the following information:

The authority for collecting this information is §421 *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. §1071 to 1087-2). The principal purpose for collecting this information is to determine whether you are eligible for a deferment on your loan(s) under the Federal Family Education Loan (FFEL) Program.

We ask that you provide the information requested on this deferment request on a voluntary basis. However, you must provide all of the requested information so that the holder(s) of your loan(s) can determine whether you qualify for a deferment.

The information in your file may be disclosed to third parties as authorized under routine uses in the Privacy Act notices called "Title IV Program Files" (originally published on April 12, 1994, *Federal Register*, Vol. 59, p. 17351) and "National Student Loan Data System" (originally published on December 20, 1994, *Federal Register*, Vol. 59, p. 65532). Thus, this information may be disclosed to parties that we authorize to assist us in administering the federal student aid programs, including contractors that are required to maintain safeguards under the Privacy Act. Disclosures may also be made for verification of information, determination of eligibility, enforcement of conditions of the loan or grant, debt collection, and the prevention of fraud, waste, and abuse and these disclosures may be made through computer matching programs with other federal agencies. Disclosures may be made to determine the feasibility of entering into computer matching agreements. We may send information to members of Congress if you ask them in writing to help you with federal student aid questions. If we are involved in litigation, we may send information to the Department of Justice (DOJ), a court, adjudicative body, counsel, or witness if the disclosure is related to financial aid and certain other conditions are met. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for consideration of action and we may disclose to DOJ to get its advice related to the Title IV, HEA programs or questions under the Freedom of Information Act. Disclosures may be made to qualified researchers under Privacy Act safeguards. In some circumstances involving employment decisions, grievances, or complaints or involving decisions regarding the letting of a contract or making of a grant, license, or other benefit, we may send information to an appropriate authority. In limited circumstances, we may disclose to a federal labor organization recognized under 5 U.S.C. Chapter 71.

Because we request your social security number (SSN), we must inform you that we collect your SSN on a voluntary basis, but section 484(a)(4) of the HEA (20 U.S.C. §1091(a)(4)) provides that, in order to receive any grant, loan, or work assistance under Title IV of the HEA, a student must provide his or her SSN. Your SSN is used to verify your identity, and as an account number (identifier) throughout the life of your loan(s) so that data may be recorded accurately.

Paperwork Reduction Notice

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. The valid OMB control number for this information collection is 1845-0005. The time required to complete this information collection is estimated to average 0.16 hours (10 minutes) per response, including the time to review instructions, search existing data resources, gather and maintain the data needed, and complete and review the information collection. ***If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:***

U.S. Department of Education, Washington, DC 20202-4651.

If you have any comments or concerns regarding the status of your individual submission of this form, write directly to the address shown in Section 7.

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Sample Notification of Loan Disbursement

October 7, 2001

First Last
Address
City, State ZIP

Student ID: #######

Dear Student:

This letter is to inform you that the proceeds from your Federal Stafford Loan have been received from your lender. The following disbursement was made to your account on the date indicated.

10/04/01 Subsidized Stafford Loan 2,667.50

This is a loan that must be repaid. If you do not want all or part of this loan, contact the Office of Student Financial Services within 14 days to request that the money be returned to the lender.

Please contact us if you have any questions about your financial aid or your student account.

Sincerely,

Office of Student Financial Services

DEPARTMENT OF EDUCATION
UNITED STATES OF AMERICA

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

NOTICE

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